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ECONOMIC AFFAIRS

No. 372

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12 August 1983

CHINA REPORT ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

PRC TAX SYSTEM, ECONOMIC RESTRUCTURING

HK031440 Beijing JINGJI GUANLI in Chinese No. 6, 5 Jun 83 pp 3-5

[Article by Gong Zhi [7895 3112]: "'Tax in Lieu of Profit' System for State-Run Enterprises is Compatible With the Direction of Economic System Restructuring"]

[Text] The State Council has decided that commencing 1 June this year, the "tax in lieu of profit" system will be gradually enforced in all state-run enterprises. This is for the purposes of making the enterprises continuously improve and perfect their economic responsibility system, further enlivening the economy, correctly handling the triparty interest relations between the state, the enterprise, and the individual worker, ensuring the steady growth of the revenues of the state, and maintaining and protecting the legitimate interests of the enterprises. It represents an important reform in the financial system of the enterprise units and also an important link in restructuring the entire economic management system. We must tightly grasp, and grasp well, this reform, and make it yield good results.

The system of "tax in lieu of profit" for state-run enterprises was advocated on the basis of the reform in the financial system of the enterprises during the past few years after many trial periods were made. Since the 3d Plenary Session of the 11th CPC Central Committee and under the guidance of the policy of "readjusting, restructuring, consolidating, and improving," the state has conducted a series of orderly reforms on the profit distribution system of the enterprises. First, in 1978, the enterprise sinking fund system was restored in state-run enterprises; in 1979, in profits distribution between the state and the enterprises, trial periods were conducted whereby state-run enterprises were allowed to retain their profits on a percentage basis. Subsequently, the process was gradually expanded, and by the end of 1981, state-run enterprises had universally enforced the practices of percentage retention of profits, profit and loss contract system, and the "tax in lieu of profit" system, and, concurrently, inside the enterprises themselves, various forms of the economic responsibility system were instituted. It may definitely be said that the general direction of the above-mentioned series of orderly reforms was correct and that outstanding results have been made. Through the reforms, we have gradually transformed the long-standing situation of the financial management system of the enterprises being over-centralized and exercising too tight a control

and have appropriately expanded the mobile financial power of the enterprises. This has played an active role in arousing the enthusiasm of the enterprises and the employees and workers, facilitated and promoted increases in production and revenue, enlivened the economy, and generally upgraded the benefits. However, reforms in industry's economic structure are vastly different from the enforcement of the production responsibility system in agriculture. Industry represents socialized large-scale production. Its enterprises and departments depend on each other for existence. They are joined together to form a whole. This situation is a relatively complex one while the extent of the difficulty in work is also rather great. Following the reforms being continuously intensified, certain deficiencies and defects have been exposed. The major deficiencies may be mentioned as the following: First, due to the irrational price system formed through the years and the various reforms on the economic structure not having been formed into an integrated whole, the level of profits among the enterprises or the industries and trades has varied greatly and the amount of profits realized by the enterprises as well as the amount of profit retentions of the enterprises cannot completely reflect either the good or bad quality of the management and operation of the enterprises or their contribution to the state, while the principle of duly rewarding diligence and punishing laziness likewise cannot be manifested. Thus, to a certain degree, a situation of greatly varying fortunes exists among the enterprises. This is particularly obvious among the enterprises which have enforced the profits contract system. In this case, more advanced enterprises are, relatively speaking, at the losing end, because of lesser benefits received, whereas backward enterprises, because of their low base figures for profit computation, enjoy much greater benefits following implementation of the contract system. In turn, this has effected a large number of advanced enterprises in the display of their enthusiasm. Second, due to the vastly different conditions among the enterprises and the continuous changes in the objective economic conditions, it is difficult to rationally fix the base for the profit contract system and the proportion of profit retention. This readily brings about a state of widely divergent fortunes among the enterprises as well as frequent disputes between the departments and the enterprises. Moreover, in the course of implementation, enterprises which, on account of objective factors, have reaped large profits are allowed a large retention but when the profits are for some reason reduced, the same enterprises would frequently ask for a revision of the originally fixed profit targets and seek favorable treatment. In fact, even in a case when, because of poor management, an enterprise has suffered losses for a prolonged period, it hardly shoulders much, if any, of the economic responsibility. At the same time, because of the delicate relationship existing between an enterprise's remittance of profits to the state and the local or departmental interests, administrative intervention from various quarters has frequently occurred. Conditions of this kind have made it difficult to basically stabilize and correctly handle the distribution relations between the state and the enterprises. It affects the stable increase of the state revenues and improvement of management and improvement of management and control on the part of the enterprises. Actual experience has shown that while the past practice of allowing a profit retention or the so-called profit or loss contract system has produced certain good results,

yet, taking a long-term view, it is not an ideal measure for handling the distribution of benefits between the state and the enterprises.

To a definite extent, the "tax in lieu of profit" system overcomes the deficiencies of the financial management system of the enterprises and helps to solve the problems mentioned in the foregoing. Its good points are:

- 1) Following the implementation of the system, the enterprises pay an income tax (55 percent) to the state in accordance with the prescribed types of taxes and the tax rates. This can better display the function of taxation as an economic lever. It is beneficial to readjusting the economy and stabilizing the financial revenues of the state. It ensures that the state will not lose out, irrespective of whether the profits of the enterprises have only reached or are more than the base figures. It also helps in concentrating the needed funds for use on pivotal state construction and in promoting the planned and proportionate development of the national economy.
- 2) Following the enforcement of the scheme, concerning the portion of the profits remaining (45 percent) after tax payment, the enterprise is still required, according to the regulations, either to remit to the state a portion of the remaining profits or pay an "adjustment tax" thereon. It will then be free to dispose of, at will, the balance and be responsible for any gain or loss. In this way, the decisionmaking power of the enterprise in regard to operation and management is enlarged and the enterprise has increased mobility and is urged on by outside pressure. Likewise, on the strength of the financial power at its disposal, the enterprise can take the initiative to arrange for production and operation and make plans for technical transformation. This will help the enterprise to continuously perfect the economic responsibility system, improve management and control, tap internal hidden potentialities, and create more wealth for the state, deriving therefrom the benefits which it richly deserves.
- 3) Following enforcement of the scheme, the enterprises, irrespective of their subordinate relations, must pay taxes to the central government or the local authorities, thus making more clear their responsibilities and obligations to the state. It will also help in breaking the barriers between the departments and the localities, cutting down unnecessary administrative interventions from various sources, and enabling the enterprises to organize production according to social needs and to make the necessary readjustment of their organization structure. For this reason, the State Council has decided recently to speed up the steps in enforcing the "tax in lieu of profit" system for state-run enterprises and has sanctioned the "trial measures on 'tax in lieu of profit' system for state-run enterprises" submitted by the Finance Ministry. This represents an important step taken by the party and the state in reforming the economic management system of the enterprises, and is also an extremely important measure in restructuring the entire economic management system. Its thorough implementation will produce important effects on industrial readjustment, enterprise consolidation, and reform of the various economic management systems including those on labor, salaries and wages, price structure, and material resources. Concurrently, it will provide favorable conditions for the full execution of the relevant economic policies. This will play a promotional role in speeding up our country's four modernizations and realizing the gigantic strategic objective of quadrupling the gross value of industrial and agricultural production by the end of this century.

The "tax in lieu of profit" system for state-run enterprises is in effect a measure calling on state-run enterprises to change completely, and in a planned and systematic manner, their original practice of remitting profits to the state to payment of taxes in accordance with the kinds of tax and tax rates prescribed by the state. Through enforcement of this scheme, the distribution relations between the state and the enterprises is fixed and takes on the form of tax payment by the enterprises. The regulations governing "the experimental measure of 'tax in lieu of profit'" definitely prescribe that commencing in 1983, with the exception of a small number of enterprises which, as approved by the State Council, or the Finance Ministry, or the State Economic Commission, may adopt the "contract system for progressively increased profits" and also, except those enterprises under the departments handling war production, posts and telegraphs, food grains, foreign trade, agriculture and animal husbandry, and "reform through labor" camps which, on account of their special conditions, may temporarily continue their usual procedures and practices, all other state-run enterprises making profits should enforce the "tax in lieu of profit" system. But because of various considerations such as: restructuring of various economic systems is still progressing, a rational readjustment of the price structure cannot be accomplished within a short period of time, and a great disparity exists in the operation and management level of the enterprises and in the level of profits between the localities, departments, and enterprises, it has been difficult to enforce all at once the new system. Hence, we must proceed in a planned and systematic manner. Concretely speaking, two steps may be taken: 1) Beginning in 1983, large and medium-sized state-run enterprises making a profit must pay an income tax of 55 percent of their realized profits. After tax payment, of the remaining profits, a portion may be retained by the enterprises according to the profit-retention level prescribed by the state, and as for the remaining portion, it will be remitted to the state in different forms, depending on the concrete conditions of the enterprises, and in this way is carrying out the dual practice of paying taxes and remitting profits to the state. Concerning the different forms of remitting profits, some enterprises may remit the profits according to the "contract system for progressive increases in profit earnings" in force; some enterprises may remit the profits on a fixed proportion while still others may pay another tax at a fixed ration as an "adjustment tax." Concerning small state-run enterprises, they may pay an income tax on their realized profits according to a schedule of "eight-grade surplus profits cumulative tax rates." Following tax payment, generally speaking, the enterprises will assume sole responsibility for their own profit or loss and the state will not supply them with any more funds. In the case of enterprises which, following tax payment, still have large profits in their coffers, the state may collect certain contractual fees and require the enterprises to make a fixed remittance. 2) Following reforms on the various economic systems, including the progression of the price system in an all-round way, and the general economic effects having steadily increased as well as the level of profits between the enterprises, trades, and localities becoming more or less even, and by the time conditions on various sides have, relatively speaking, ripened, then we may consider changing the entire profit-handling procedure of the state-run enterprises to payment of the income tax and effect a thoroughgoing

implementation of the "tax in lieu of profit" system. In fact, the first step taken as mentioned in the foregoing cannot yet completely solve the existing contradiction in the distribution relations between the state and the enterprises. However, the [?] will be somewhat lessened because the scope of profit remittance is reduced and the mode of remittance is to a certain extent revised. But what is more important is that the first step of the reform will promote and facilitate other economic reforms and provide a basis for complete enforcement of the "tax in lieu of profit" system.

So that the new system will achieve its anticipated effects and fully perform its role, in the course of implementing the reform, we should observe the following principles and solve well the following problems:

1. The enthusiasm of the enterprises and their employees and workers must be aroused. This reform is carried out on the basis of maintaining the legitimate right of profit retention on the part of the enterprises. The decisionmaking power of the enterprises will be continuously expanded following increases in production and profits. Both in formulating the reform plan and in its actual enforcement, we must pay close attention to protecting the enterprises' legitimate interests and the decisionmaking power which they should enjoy. In addition, we must enable the enterprises to attain more benefits from the increases in profit earnings as a result of improving management and control, tapping internal hidden potentialities, and increasing production and receipts, in this way fully arousing their enthusiasm and creating the conditions for basically improving the financial and economic condition of the country.

2. The tripartite interest relations between the state, the enterprise and the individual employee or worker must be correctly handled. First, there must be assurance that the state will receive more revenues and we must truly accomplish the feat that in the increased earnings of the enterprises, the state will receive the most, the enterprise, the second highest amount, and the employees and workers, the third amount. When speaking on the principle governing the reform, leadership comrades of the central government have said: The reform "must take good care of the two end results: One is to enliven the enterprise; and the other is to make the state receive the most; the enterprise, second; and the employees and workers, third." This principle must be thoroughly carried out in enforcing the "tax in lieu of profit" system in the state-run enterprises. Only in its successful implementation can we realize the policy advocated at the 12th CPC National Congress of appropriately centralizing funds to ensure the smooth prosecution of the state's pivotal construction plans and can we ensure protection of the long-term interests of the enterprises and of the employees and workers. In the increased profit earnings, the enterprise will receive the medium or second largest share and the employees and workers, the third. If, in the results of enforcement of the "tax in lieu of profit" system, the state cannot receive the largest amount of the increased profit earnings of the enterprises, as then there would be no way of providing the requisite funds for the state's pivotal construction projects and for construction in

other sectors, such as national defense, education and culture, public health, science, and municipal public utilities. There will be little hope for the four modernizations and the benefits temporarily achieved by the enterprises can hardly be maintained.

3. We must carry out the policy of encouraging the advanced, giving a helping hand to the backward, rewarding the diligent, and punishing the lazy. The method and way of thinking of expending the least effort by means of keeping low the base figures of the contract system and fighting for the largest retention, and thus taking a bite at the finances of the state, are against the principle of the reform. And the practices of those who disregard the calibre of the management work, or the extent of the economic effect, or whether the past benefits obtained by the enterprises were legitimate or not, or rational or not, all run contrast to the spirit of the directives of the leadership comrades of the State Council, which stresses that "enterprises cannot fully retain their past benefits" and that they must be put under "stringent control."

4. We must strictly enforce the principle of improving and perfecting the economic responsibility system of the enterprises, and linking together responsibility, rights, and interest with responsibility first and foremost. Leadership comrades of the State Council recently pointed out: "In enforcing the 'tax in lieu of profit' system, we must devise some means to convert the situation of 'everybody eating from the same big pot' irrespective of the operation results of the enterprise. We must make everybody feel the 'pressure' brought to bear on them and the urge to make the utmost efforts in order to survive. In the meantime, we must inject into them some 'life force' so that they may still look ahead with hope." Those comrades further emphasized: "First, we must enliven the enterprises; and second, we should not allow them to become too buoyant and free. Not to bring any pressure to bear on the enterprises will not help in improving operation and management." These directives constitute important principles for correctly handling the triparty relations of responsibility, power, and interest in the course of enforcing the "tax in lieu of profit" system and we must thoroughly and firmly carry them out. The economic responsibility system of the enterprises is a sort of management system closely linking responsibility, power, and interest. Of the latter, responsibility stands first and forms the nucleus. Enforcing the new system requires, first, that the enterprises must perform more tasks and obligations for the sake of the state and not to demand from the state more power or rights. If in the reform the position of the three elements, responsibility, right, and interest, is not set right, if we do not follow the line of giving the enterprises power and rights and, at the same time, responsibilities, if we do not give them mobility and concurrently bring pressure to bear on them, and if we vainly indulge in the thought of not making any efforts, taking things easy, and allowing the enterprises to easily obtain their benefits, then not only the purpose of the reform cannot be achieved but also the fulfillment of the state plan cannot be ensured and it will not be beneficial to strengthening the operation and management of the enterprises or upgrading their management level. For this reason, following

the enforcement of the "tax in lieu of profit" system for state-run enterprises, we must further emphasize the thorough implementation of the principle of linking responsibility, right, and interest, with responsibility taking first place. Moreover, the enterprises must devote their primary energy to improving the economic responsibility system inside their own organization structure and exert utmost efforts to grasp well the internal economic responsibility system of the enterprises. This is the foundation of the current reform of the financial system of the enterprises and is the determinant of whether or not the new system can achieve the anticipated results. At present, the internal economic responsibility system is still a weak link in the enterprises; there are few enterprises which really have done well in this respect. In quite a large number of the enterprises there still exist such phenomena as loose management, lax personnel assessment work, unclear demarcation of responsibility, and injustices in punishment and awards. In order for the financial system of the enterprises to smoothly progress and the "tax in lieu of profit" system can perform its function, inside the enterprises the various directives on economy and technology from the state, in combination with the principle of linking together responsibility, right and interest, must be explained item by item and forwarded to, and carried out in, each and every workshop, office, team or unit, and individual employee and worker. Within the enterprises we must establish an integrated post economic responsibility system which reaches all levels and sectors, and in this way greatly elevate the management level of the enterprises and the economic results.

The "tax in lieu of profit" system for state-run enterprises touches an extensive field and embodies the nature of a vigorous policy. It requires the various localities, departments, industries, and trades to contribute joint efforts and also requires the coordination of reforms on other economic sectors. Only in this way can we enable this reform to truly reap the benefits of producing first, speed; second, benefits; third, financial resources; fourth, talents; and fifth, a spiritual civilization.

CSO: 4006/705

ECONOMIC PLANNING

'INPUT-OUTPUT ANALYSIS' AIDS ECONOMIC PLANNING

OW082046 Beijing XINHUA in English 1254 GMT 8 Jul 83

[Text] Taiyuan, 8 Jul (XINHUA)--Better input-output analysis for China's economic planning for modernization was discussed recently by Chinese economists.

Over the past few years, China has used this method to good effect in balancing production plans, forecasting economic results and improving enterprise management, it was stated at the conference held here from 29 June to 6 July.

Russian-born U.S. economist Vasily V. Leontyev developed the method for planning the production levels in various industries to meet given consumption goals and for analyzing the economy-wide effects of changes. Leontyev was awarded the Nobel Prize in Economic Science in 1973.

Input-output analysis was adopted in China in the early 1960's and has been recommended by Chinese leaders and statistical departments. In recent years, the state, regions, departments and many enterprises have used this method in their economic planning. China has been drawing up input-output tables. The latest table involves 146 products and production and distribution of 26 departments.

CSO: 4020/101

ECONOMIC PLANNING

HAINAN ISLAND DEVELOPMENT AID BEING INCREASED

OW141403 Beijing XINHUA in English 1126 GMT 14 Jul 83

[Text] Beijing, 14 Jul (XINHUA). --Chinese Government ministries are stepping up their efforts to aid development of Hainan Island.

Since March, according to State Council officials, a dozen groups of ministerial officials and experts have been sent to Hainan. They were responding to a call from the Party Central Committee and the State Council to accelerate development of the island, China's second largest after Taiwan.

Specific plans are being made to help remove major obstacles in the region's economic development--insufficient energy, communications and transportation, State Council officials said.

The Ministry of Communications has decided to expand two major harbors on the island.

During the Sixth 5-Year Plan (1981-85), officials said, new berths will be built at the Xiuying and Basuo Harbors. The ministry is doing feasibility studies on building deep water berths at Yangpu.

Within the next two years, a 50-kilometer railway will be built to link Basuo with Sanya Harbor, on the southern tip of the island, officials said.

The Ministry of Coal Industry and the Ministry of Water Resources and Electric Power will sink an opencut coal mine in Changpo with a designed annual production capacity of 500,000 tons, and build an electric power station nearby.

The Ministry of Petroleum Industry will get several oil wells repaired. The State Economic Commission and the State Bureau of Materials and Equipment will provide the island with more coal.

The Ministry of Forestry will invest in planting fast-growing trees over an area of 133,300 hectares, according to State Council officials.

The Ministry of Light Industry will help the region expand nine sugar refineries and build six new ones, State Council officials said. The Ministry of Textile Industry will build a textile mill with 30,000 spindles and 1,000 looms in Haikou, capital of the Hainan Administrative Region.

The Ministry of Finance has decided to allocate an extra eight million yuan as special fund to support the island's development efforts this year.

It has been decided that within the next five years the People's Bank of China will provide the region with low-interest loans and the Bank of China will give loans in foreign currency to the area every year.

The Chinese People's Liberation Army stationed on the island will also help with development projects there.

The Hainan Administrative Region has also been given greater initiative in handling its international economic affairs, according to a circular released by the Party Central Committee and the State Council in April.

The circular approved policies for Hainan's development and called on ministries to help in the work.

CSO: 4020/101

AGGREGATE ECONOMIC DATA

NATIONAL, PROVINCIAL-LEVEL AGGREGATES

[The following selected national and provincial-level aggregate economic data have been extracted from various sources as indicated. In the table below, dates in the first column indicate periods compared, the gross value of industrial output is abbreviated as GVIO, heavy industry as HI, light industry as LI, textile industry as TI, gross value of agricultural output as GVAO, and gross value of agricultural and industrial output as GVAIO.]

National Aggregates

<u>Date of period of comparison</u>	<u>Increase in percent</u>	<u>Value, in yuan</u>	<u>Percentage of annual plan</u>	<u>Source</u>
1983: 1982 Jan-Jun	GVIO: 8.8	296.9 b	51.5	1
1983: 1982 Jan-Jun	LI: 5.4	146.29 b		2
1983: 1982 Jan-Jun	HI: 12.2	150.6 b		1
1983: 1982 Jan-Jun	raw coal: 5.4	337 m tons		1
1983: 1982 Jan-Jun	crude oil: 2.7	52 m tons		1
1983: 1982 Jan-Jun	electricity: 6.3	170.2 kwh		1

Provincial-level Aggregates

Beijing

1983: 1982 Jan-Jun	GVIO: 7.0			3
1983: 1982 Jan-Jun	LI: 2.7			3
1983: 1982 Jan-Jun	HI: 10.7			3
1983: 1982 Jan-Jun	steel: 11.9			3

Fujian

1983: 1982 May	GVIO 7.2			4
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Gansu

1983: 1982 Jan-May	GVIO: 11.6	3.33 b		5
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<u>Date of period of comparison</u>	<u>Increase in percent</u>	<u>Value, in yuan</u>	<u>Percentage of annual plan</u>	<u>Source</u>
<u>Guangdong</u>				
1983: 1982 Jan-Jun	GVIO: 8.4			6
1983: 1982 Jan-Jun	LI: 9.1			6
1983: 1982 Jan-Jun	HI: 7.2			6
<u>Hebei</u>				
1983: 1982 Jan-May	GVIO: 5.0			7
1983: 1982 Jan-May	LI: 2.2			7
1983: 1982 Jan-May	HI: 7.5			7
1983: 1982 May	GVIO: 6.3			7
1983 May: 1983 Apr	GVIO: 5.0			7
<u>Heilongjiang</u>				
1983: 1982 Jan-Jun	GVIO: 5.1			8
1983: 1982 Jan-Jun	LI: 6.2	1.13 b	51.3	8
<u>Hubei</u>				
1983: 1982 Jan-Jun	GVIO: 14.2			9
1983: 1982 Jan-Jun	LI: 10.3			9
1983: 1982 Jan-Jun	HI: 18.3			9
<u>Jiangxi</u>				
1983 May: 1983 Apr	GVIO: 12.7	968 m		10
<u>Liaoning</u>				
1983: 1982 Jan-Jun	GVIO: 5.9		51.2	11
<u>Nei Monggol</u>				
1983: 1982 Jan-Jun	LI: 8.0	568.5 m		12
<u>Qinghai</u>				
1983: 1982 Jan-May	GVIO: 7.4	525.2 m		13
1983: 1982 May	GVIO: 12.2			13
1983 May: 1983 Apr	GVIO: 4.3			13
<u>Shaanxi</u>				
1983 May: 1983 Apr	GVIO: 4.3	1.11 b		14

<u>Date of period of comparison</u>	<u>Increase in percent</u>	<u>Value, in yuan</u>	<u>Percentage of annual plan</u>	<u>Source</u>
<u>Shandong</u>				
1983: 1982 Jan-Jun	GVIO: 8.7		51.4	15
1983: 1982 Jan-Jun	LI: 6.2			15
1983: 1982 Jan-Jun	HI: 11.9			15
<u>Shanghai</u>				
1983: 1982 Jan-Jun	GVIO: 5.1		50.5	16
1983: 1982 Jan-Jun	LI: 2.8		50.2	16
1983: 1982 Jan-Jun	HI: 8.1		50.8	16
1983: 1982 Jan-May	GVIO: 5.1			17
1983: 1982 May	GVIO: 6.1			17
<u>Shanxi</u>				
1983: 1982 Jan-May	GVIO: 17.5	1.94 b		18
1983 May	GVIO:	423.2 m		18
<u>Zhejiang</u>				
1983: 1982 Jan-Jun	GVIO: 11.4		51.6	19
1983: 1982 Jan-Jun	raw coal: 6.8	6.90 b	50.0	20

Source

1. Beijing JINGJI RIBAO in Chinese 8 Jul 83 pp 1, 4
2. Beijing XINHUA in English 1430 GMT 7 Jul 83
3. Beijing XINHUA in English 0729 GMT 5 Jul 83
4. Fuzhou FUJIAN RIBAO in Chinese 10 Jun 83 p 1
5. Lanzhou GANSU RIBAO in Chinese 9 Jun 83 p 1
6. Guangzhou NANFANG RIBAO in Chinese 13 Jul 83 p 1
7. Shijiazhuang HEBEI RIBAO in Chinese 8 Jun 83 p 1
8. Harbin HEILONGJIANG PROVINCIAL SERVICE in Chinese 1100 GMT 9 Jul 83
9. Wuhan HEBEI PROVINCIAL SERVICE in Chinese 1100 GMT 7 Jul 83
10. Nanchang JIANGXI PROVINCIAL SERVICE in Chinese 1100 GMT 11 Jun 83
11. Shenyang LIAONING PROVINCIAL SERVICE in Chinese 1100 GMT 6 Jul 83
12. Hohhot NEI MONGGOL PROVINCIAL SERVICE in Chinese 1100 GMT 10 Jul 83
13. Xining QINGHAI PROVINCIAL SERVICE in Chinese 1100 GMT 15 Jun 83
14. Xian SHAANXI PROVINCIAL SERVICE in Chinese 0050 GMT 10 Jun 83
15. Jinan SHANDONG PROVINCIAL SERVICE in Chinese 2300 GMT 9 Jul 83
16. Shanghai JIEFANG RIBAO in Chinese 5 Jul 83 p 1
17. Shanghai JIEFANG RIBAO in Chinese 4 Jun 83 p 1
18. Taiyuan SHANXI RIBAO in Chinese 12 Jun 83 p 1
19. Hangzhou ZHEJIANG RIBAO in Chinese 8 Jul 83 p 1
20. Hangzhou ZHEJIANG RIBAO in Chinese 3 Jul 83 p 1

CSO: 4006/697

ECONOMIC MANAGEMENT

JINGJI GUANLI ON CONTRACTED RESPONSIBILITIES

HK030851 Beijing JINGJI GUANLI in Chinese No 6, 5 Jun 83 pp 27-28

[Article by Weifang City People's Government Office: "Engineers of Weifang Electronic Computer Factory Have Contracted the Responsibilities for the Production of Microcomputers"]

[Text] Deputy chief of supply and service section and assistant engineer of Weifang Electronic Computer Factory Wang Xinhua, engineer Zhong Jian and deputy director of the factory research office and assistant engineer Zhao Xingjun signed a contract with the factory in February this year on the responsibilities for the production of DJS-033 microcomputers and they are also responsible for the supply of goods and materials for the production of the computers, sales of the products, and distribution and service work. They have reorganized the staff of the workshop, they are responsible for the wages of the staff, they have received a loan from the factory as funds and when they have settled accounts by the end of the year they must hand over one million yuan profit to the factory.

Why have they signed a contract on the responsibilities for the production of microcomputers? How will they carry out the contract? To sum up, there are four main reasons for their action.

First, they have a correct understanding of carrying out the contract. Prior to signing it, they had thought that, as engineers, who have specialized knowledge and technology, that they could always be sure of a job. Therefore they just waited for their leader to make all the arrangements and for others to "form a cabinet." When the factory party committee announced that it had decided to introduce the contracted responsibility system in the factory, many comrades after discussing this matter, wanted to sign contracts. Therefore, the reaction was quite good. Seeing this situation, the three engineers thought that since cadres and workers were discussing how to contract responsibilities for production and were organizing themselves to do the job, why not the engineers and technicians? Was it possible for them to do the job? They studied the related documents from higher departments and analyzed the current situation. They were of the opinion that the reform of all old methods and stereotypes that were not in line with the modernization program and the introduction of various forms of economic responsibility system were the instruction of the CPC Central Committee,

the requirements of the higher party committees and the desire of the broad masses of the people; they realized that it was the trend of the times and must be carried out. They also profoundly realized that since the 3d Plenary Session of the 11th CPC Central Committee, the position of intellectuals had been improved, party organizations had confidence in them, supported them in their work and showed concern for their lives. Party organizations have placed a great hope on intellectuals and therefore they asked themselves, would it be possible for them to feel at ease and justified if they stopped making progress? Of course not. But, if they wanted to contract production responsibilities, what kind of responsibilities should be contracted? They felt it was a very important matter for them. They realized that as engineers, they must display their advantages and, according to their specialization and level of technology, they could contract responsibilities for such items as scientific research, designs for trial-producing new products or they could even combine their efforts to contract responsibilities for the making and marketing of the products that required complicated technology. Compared with cadres and workers, engineers and technicians have a wider range of possibilities for contracting responsibilities and they have stronger adaptability. Therefore, the three engineers decided not only to be bold in contracting responsibilities but also to contract the responsibilities for production items that were beyond the reach of others, and for the making of products with higher technology.

Second, they selected the items to be contracted according to their professional advantages. This year, the factory has decided to study and produce 5 kinds of products. These new products include an electronic laser photo typesetter, the DJS-153 electronic computer, the Kamake [0593 4316 0344] standard joint, a three-purpose checking apparatus and the DJS-033 microcomputer. Of these products, the electronic laser photo typesetter is a project under joint study and research between the factory and Beijing University, and the work on this item will begin in the second half of this year. The workshops of the factory suggested contracting the responsibilities for the production of DJS-153 computers, the standard joint and the three-purpose checking apparatus. The factory began the production of microcomputers last spring and by the end of the year it had trial produced only 19. Because of long production cycle and the involvement of more power, the production efficiency was low. However, the factory has planned to mass produce this kind of microcomputer this year: but the parts for the computers have to be imported from other countries and "sensible persons" are needed in such important links as negotiations with foreign businessmen, organizing production, sales of products and after-sale technical service; much work has to be started from scratch and will therefore be on a large scale. Under this condition, the three engineers analyzed the advantages of producing such computers: First, such microcomputers have a good, over-all function, they are compact, can be used widely and are cheap. Therefore such computers are suitable for teaching and scientific and research units, enterprises, financial and monetary departments and economic management departments. In addition, China has just begun the production of such computers, therefore such new products have good prospects. As long as they are able to produce the computers, such production will have an important

significance both for the realization of the modernization program and for improving economic efficiency and quickening the development of enterprises. Second, these three engineers have experience in the marketing, production, and service work of such computers and they have specialized knowledge and technology in this aspect. Consequently they considered that as long as they were able to follow the correct method and take effective measures, they would be able to do a good job of trial-producing, producing, and selling microcomputers. Third, both the factory party committee and the broad masses of workers supported their work and therefore there was a good foundation for them to contract the responsibilities for the production of microcomputers. Having analyzed objective difficulties and favorable factors, they decided to sign the contract on the responsibilities for the production of microcomputers.

Third, they compared economic efficiency and boldly signed the contract with the factory. They thought that there would be many advantages for them in doing so. But, to hand over one million yuan profit to the factory would not be easy, they would have to carry out calculations, understand the related situations and base their work on statistics. Through calculation and analysis, they have found that there are "two big guarantees" for them. One is the guarantee of economic efficiency. A microcomputer is marketed at 22,000 yuan in China and, with a cost of 11,682 yuan, there will be a profit of 10,318 yuan. If they are able to produce 100 computers, the workshop will be able to make more than 1.03 million yuan profit. Under this condition, there will be a guarantee for handing over one million yuan profit to the factory and a guarantee for 40 technicians and workers to have average monthly basic wages of 66.25 yuan. The income will be higher if they are able to produce more than 100 computers. The second one is the guarantee of marketing the products. Last year, they carried out market investigations and technical service and through these activities they realized that a number of scientific and research units and institutes of higher learning intend to renew their computerized equipment and preferred to use microcomputers. Up to February this year, the state electronic computer service company and its Hubei branch have signed agreements with them as marketing agents and, in addition, more than 120 institutes of higher learning and enterprises including Tianjin University, Beijing Chemical Industrial College, Zhejiang University, Shanghai Teachers' College, Nanjing University and Shandong University have also written letters or sent their staff to inquire about the technical performance and price of microcomputers because they intend using these computers. According to initial predictions, they will be able to market about 130 such computers this year. Thus, on the basis of their calculations, they decided to sign the contract with the factory on the responsibilities for the production of the microcomputers. Their responsibilities include: They must hand over one million yuan profit to the factory this year, the qualification rate of the computers must reach 95 percent, the number of stockpiled computers must not exceed 20; they must also be responsible for the supply of goods and materials that are needed in the production of the computers, sales of the products, technical service for users and organizing the whole production. They are entrusted with the following authority by the factory: the workshop staff numbers 40 persons

and they have the right to select these 40 workers and employ them or return the workers who do not behave well to the factory; they have the right to determine how to use the workshop funds and distribute wages. Awards and punishments include: basic wages will be given when the contracted goal is completed; under a condition in which the goal is overfulfilled, 8 percent of the overfulfilled part will be retained as an award, with the contractors receiving 1.5 times the highest individual award in the workshop; under the condition in which the workshop fails to meet the goal, the yearly basic wages of the three contractors will be deducted by 30 to 40 percent, the wages of the workshop management and service personnel will be deducted by 20 percent and the wages of production workers will be deducted by 15 percent. The responsibilities of the factory include: Supplying the parts needed in the production of the computers regularly--the factory will compensate 20 yuan if it delays the supply of the parts for one day; guaranteeing the fund that is needed in the production, and if the factory fails to supply the necessary amount of funds to effect the production, it will compensate for economic losses.

Fourth, they did a good job of production planning and started the work as soon as possible. Following the signing of the contract, they lost no time in visiting the parts management bureau under the Ministry of Electronics and foreign trade departments in Qingdao to be informed on the related situations. In addition, they had telephone contacts and negotiations with six companies in Japan, Macao and Hong Kong in their effort to deliver and begin the production of the computers as early as possible. The factory received the first batch of imported parts in the middle of March. At the same time, the organization of labor force in the workshop had also been completed, with definite division of work, definite posts, economic responsibility systems for various types of works and the methods of rewarding and punishing. The three engineers also made concrete arrangements for the sales of the products. This work mainly included the formation of "six marketing points," doing a good job of "two key users" and setting up a one-term study class. The six marketing points were set up in Tianjin University, Beijing Chemical Industrial College, Zhijiang University, Shanghai Teachers' College, Shandong University and Nanjing University. The two key users are the computer service company of the Ministry of Electronics and its subsidiary, and the study class includes the application of microcomputers, training computer operators for users, expanding media work for the products, soliciting users' opinions and expanding the channels for the sale of the products.

CSO: 4006/705

ECONOMIC MANAGEMENT

JIANGSU'S EXCHANGES WITH OTHER PROVINCES NOTED

OW121351 Beijing XINHUA in English 1254 GMT 12 Jul 83

["National Interest Comes First"--XINHUA headline]

[Text2 Beijing, 12 Jul (XINHUA)--Jiangsu Province, east China, has negotiated about 300 projects of cooperation with 13 other provinces and autonomous regions in the country in the first half of this year. Under the projects, Jiangsu will supply industrial equipment in exchange for materials such as coal and timber.

It is China's national policy to encourage inter-provincial economic and technical cooperation to help boost the country's economy and modernization program.

The province recorded an estimated industrial and agricultural output value of 72 billion yuan in 1982, ranking first among all provinces, municipalities and autonomous regions in China. The developed industries in Jiangsu include textiles, electronics, chemicals and machine-building.

Similar projects of cooperation have been concluded between other Chinese provinces.

CSO: 4020/-9

FINANCE AND BANKING

CONSTRUCTION BANK URGES STRICT CONTROL ON LOANS

OW150001 Beijing XINHUA Domestic Service in Chinese 0852 GMT 13 Jul 83

[By reporter Chen Naijin]

[Text] Beijing, 13 Jul (XINHUA)--To implement the instruction of the CPC Central Committee and the State Council on maintaining strict control over the scale of capital construction and concentrating funds to ensure the construction of key projects, the China People's Construction Bank has decided that construction banks in the various localities must strictly keep loans for investments in fixed assets within the state plan and that bank presidents will be called to account if loans are granted outside the plan.

In the first half of this year the tendency of exceeding the capital construction loans plan became very evident among banks. For this reason, the China People's Construction Bank urged its branches in the various provinces, municipalities and autonomous regions to comprehensively check up on all loans they had extended for investments in fixed assets and to stop all capital construction loans that exceeded the plan. They also adopted three measures to control bank loans.

1. All loans extended by construction banks, regardless of where the money comes from, must be checked item by item. Loans that do not conform to regulations must be stopped and checked.
2. Loans set aside by construction banks at all levels this year for enterprises to carry out technical innovations and renew equipment must not be extended if they exceed the authorized loan quotas.
3. Trust and investment companies run by construction banks at all levels must stop operation. Their capital should be incorporated into the banks' regular credit funds so as to strengthen the unified management of credit funds.

CSO: 4006/672

FINANCE AND BANKING

GUANGMING RIBAO ON SCALE OF INVESTMENT

HK170520 Beijing GUANGMING RIBAO in Chinese 3 Jul 83 p 3

[Article by Lei Xilu [7191 6932 4389]: "On Relatively Appropriate Scale of Investment in Fixed Assets"--passages within slantlines published in bold-face]

[Text] Investment in fixed assets includes two parts: investment for effecting renewal and transformation, and capital construction investment. These categories of investment are intended for the renewal, transformation and expanded reproduction of fixed assets, and are of enormous importance for the achievement of proportioned national economic development. Therefore, what scale of annual investment in fixed assets will be relatively appropriate for our country in the near future is an important question that we should conscientiously study.

The overall scale of investment in fixed assets should comply with some basic principles put forth by Comrade Chen Yun, namely: "First, the people must be fed, and second, construction must be carried out," and, "the scale of construction must be compatible with our country's financial and material resources." On this basis, overall planning for the scale of investment should be made, with due consideration for various factors. In determining the scale of investment, we must not only consider our needs, but, more importantly, we must pay attention to feasibility. The scale of investment mainly depends on what proportion of the increase in national income can be used as accumulation funds for increasing fixed assets, after consumption funds have been set aside, and what proportions of equipment, materials, raw materials, foreign exchange and consumer goods can be used annually for the purpose of accumulation to increase fixed assets. According to estimates by the departments concerned, from 1982 to 1985, the annual increase in national income will be around 22 to 30 billion yuan. Under normal circumstances, if the accumulation rate is taken as 27 to 29 percent, the possible annual increase in accumulation funds will be approximately 6.0 to 8.7 billion yuan, of which about 30 percent will be collective and individual accumulation funds for investment in fixed assets will be around 3 to 4 billion yuan. In the light of the quantities of the "three major materials" (namely, steel products, timber and cement) available for direct consumption in building fixed assets during the period 1982 to 1985, in the future, the possible annual increase in investment in fixed assets would be 3 to 4 billion yuan. That is, on top of the 1981 figure of

66.8 billion yuan, the annual increase in the relatively rational overall scale of investment in fixed assets would be 3 to 4 billion yuan. The investment in fixed assets would be approximately 17 to 18 percent of the national income (with capital construction investment accounting for 11 to 12 percent of the national income). However, in 1982, the actual investment in fixed assets was 84.5 billion yuan, exceeding the rational figure by some 13 billion yuan.

With the abrupt increase in investment in fixed assets in 1982, the proportion of this investment in our national income has risen to 19.9 percent, and the accumulation rate has reached 29 percent. Although there have not been any serious problems in our national economy, latent dangers do exist. The lesson from the experiences of 1958, 1970 and 1978, when investment increased abruptly, is that given a big increase in investment in a certain year, if the scale of investment and the number of construction projects are reduced immediately afterward, then, latent dangers can be avoided in economic construction and our national economy can develop continuously and healthily. Otherwise, if our scale of investment continues to be as large as in 1982, then, before long, we will inevitably be forced to carry out a relatively large-scale economic readjustment.

After several years of economic readjustment, a fine situation has appeared in our country. To enable this situation to continuously develop, and to enable our national economy to enjoy sustained and steady growth, we should now pay attention to satisfactorily grasping the following several matters.

/First, the scale of investment must be controlled./ The planned investment in fixed assets for 1983, approved at the 5th Session of the 5th NPC, is 74.7 billion yuan. I think this overall scale of investment is basically appropriate. However, the overall scale of planned investment is tending to continue to expand this year. At present, many localities and departments are making requests for additional investment on top of the state-planned investment. Therefore, how to prevent this year's planned overall scale of investment from being exceeded is a major issue affecting the steady development of our national economy. Out of the 74.7 billion yuan of investment in fixed assets, 50.7 billion yuan are capital construction investments, which includes 10.75 billion yuan of investment funds raised by the localities, departments and enterprises, and 3.2 billion yuan of bank loans. In the light of our practice over the past 2 years, if the overall scale of investment in fixed assets is to be kept within the 74.7 billion yuan limit, the key question is to prevent the capital construction investment financed by self-raised investment funds and bank loans from exceeding state-planned targets. To this end, we must rectify bank loans and abolish various categories of trust companies. The overall scale of investment in fixed assets (including various sources of funds) must be brought under state planning in a unified way.

/Second, the orientation of investment must be readjusted./ The report of the 12th CPC Congress clearly states that if our strategic goal for the coming 2 decades is to be attained, the state must pool the necessary funds and undertake key construction projects, distinguishing important or urgent items

from less important or less urgent ones. To satisfactorily accomplish key construction projects is the most important task in laying a foundation for our country's vigorous economic development in the 1990's and is compatible with the basic long-term interests of the whole nation. To ensure the accomplishment of key construction projects by the state, we must appropriately control unproductive construction and increase investment in key construction projects. Moreover, we should reduce investment financed by funds raised by the localities, departments and enterprises on their own behalf as well as general construction projects financed by bank loans. Only thus can funds be channeled into highly necessary construction projects undertaken by the state.

/Third, the results of investment must be improved./ An important way of quickening economic development is to continuously improve the results from investment in fixed assets. To this end, investment for effecting renewal and transformation must be used not for capital construction, but for enhancing technological progress, improving product quality, developing new varieties of products, replacing old generations of products by new ones, and enhancing economy in the use of energy resources, materials and raw materials. Moreover, all construction projects must be carried out strictly according to the set procedures for capital construction. Without preliminary work prior to construction, such as feasibility studies, theoretical technological-economic studies, surveying and design, and so on, a construction project must not be included in our annual plan and its implementation must never be started. Large and medium-scale projects whose implementation is being planned must be subjected, through a gradual process, to the "determination of five things" (namely, determination of the scale of construction, the total amount of investment, the time limit for construction, the benefits of investment, and the conditions for external cooperation). We must conscientiously implement the system whereby charges are imposed on the use of construction investment funds. We must gradually put systems of responsibility for completion of construction projects into practice. We must perfect the system of checking projects for acceptance upon completion of work before the projects go into operation, various responsibility systems, and other relevant measures. We must continuously upgrade the quality of work, shorten the cycle of construction, and lower the costs of construction.

CSO: 4006/672

FINANCE AND BANKING

HENAN URGES STRENGTHENING OF TAXATION WORK

HK141548 Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 12 Jul 83

[Summary] Recently, the Provincial People's Government issued a circular calling on various localities to earnestly do a good job in tax collection and ensure the fulfillment of state revenue. The circular demanded that people's governments at all levels deepen their understanding and strengthen leadership in taxation work.

"The circular called for enhancing propagation work and strengthening the sense of legal systems of the vast ranks of cadres and masses, particularly those taxpaying units and individuals, and their sense of responsibility to the state. They must understand that paying taxes is their bounden duty. All localities and departments should regard levying taxes as an important component part of enterprise reorganization. All state-owned and collective enterprises, and individual households engaged in industrial and commercial business should be subject to the management and supervision of the taxation organs. They must earnestly register, set up, and perfect financial systems and accounting books, and accurately declare and levy taxes.

"The circular also emphatically demanded that all localities appropriately implement policies and abide by tax disciplines. No locality, department, unit, or individual must be allowed to overstep the authority prescribed by the taxation control system and remit taxation without authorization. Those who are in arrears in tax payment must clear up their debt and also pay extra charges for late payment according to relevant stipulations; if anyone refuses to pay after being approached several times, the bank must be notified to deduct the amount from their savings; and those who evade taxation must, in addition to paying the amount in question, be fined. Concerned personnel should be affixed responsibility for serious cases."

The circular also called on propagation, public security, judicial, and other departments to support taxation departments in their work.

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ERRATUM: This article republished from
JPRS 84013 of 1 August 1983, No 368 of
this series pp 19-25 to provide missing
data on Table 2.

FINANCE AND BANKING

JINGJI YANJIU ON FIXED ASSETS INVESTMENT RATE

HK090804 Beijing JINGJI YANJIU in Chinese No 6, 20 Jun 83 pp 66, 69-72

[Article by Liu Huiyong [0491 1979 0516] of the Investments Institute of the Construction Bank of China: "An Elementary Introduction to Fixed Assets Investment Rate"—dated November 1982]

[Text] When our country's economic theorists and work departments evaluate the annual scale of construction, they often use as an index the amount of investment in fixed assets. This absolute numerical index makes it impossible to link directly and hence compare the scale of construction with the national strength, or to make comparisons between a certain country at different stages or between different countries; thus, it presents severe limitations. But the use of the rate of investment in fixed assets as an index is free of the above shortcomings, and able to reflect the overall scale of construction, so it should be given serious consideration.

I. What Is Meant By the Rate of Investment in Fixed Assets?

The rate of investment in fixed assets means the ratio between the annual amount of investment in fixed assets and the amount of national income utilized. Presented as a formula, that is as follows:

The rate of investment in fixed assets equals the yearly amount of investment in fixed assets divided by the amount of the national income utilized.

As the national income increases and depreciation funds grow, the absolute figure for investment in fixed assets over the year will be a corresponding rise, so if this figure is used to judge the appropriateness or otherwise of the scale of investment, since numerical limits are unstable, each year will see great changes. The rate of investment in fixed assets, however, is different; it represents the comparative ratio between the amount of investment in fixed assets and the amount of national income utilized, and is unlikely to experience any marked fluctuations, so it is, therefore, able to act as an overall index for assessing whether or not the annual scale of construction is commensurate with the national strength.

Since 1980, our country has begun to use the rate of investment in fixed assets as a formal statistical index. This has facilitated the further study

of the rules of appropriate measures for changing the yearly scale of construction, and strengthening the planned control and adjustment of the scale of construction; at the same time, it is a reflection of the increasing maturity of our understanding of construction scale and our planning work.

II. The Objective Rules Governing the Changing Rate of Investment in Fixed Assets

What are the major factors affecting the rate of investment in fixed assets (henceforth referred to as investment rate), and what sort of rules affect its change?

The major factors affecting investment rate vary over a long period of time and in different specific years. Therefore, the long-term developmental tendencies of investment differ from the specific form of its movements in certain years, and should be discussed separately.

1. The general tendency of our country's investment rate is slow upward movement.

From the point of view of long-term development tendencies, the two big factors affecting the investment rate are the average growth rate of the amount of investment in fixed assets and that of the national income. If the growth rate of investment in [word indistinct] assets outpaces that of the national income, the investment rate will rise, and vice versa.

After over 30 years of construction, our country has formed an independent, integrated industrial system. But a great deal of investment is still necessary if we are to quadruple the total output value of industry and agriculture by the end of this century. Hence, the law that priority must be given to the growth of the means of production will continue to function. Fixed assets of a productive nature form the main component part of the means of production, and giving priority to the growth of the means of production means basically giving priority to increasing the amount of tools of labor, and in particular that of productive fixed assets. Therefore, along with the increase in investment and the development of production techniques, with mechanized equipment as central, together with productive fixed assets within the factories and workshops themselves, a situation of growth is bound to emerge. As to nonproductive fixed assets, due to the excessive "bills" owed to housing, science, and education, for the present and for a certain period of time to come, spending in these areas will not fall below the growth rate of the whole of the means of subsistence. Looking at productive and nonproductive fixed assets overall, for the rest of this century our investment in fixed assets will be faster than the growth rate of the national income, and hence the rate of investment in fixed assets will rise slowly; this is an objective economic law. This law is clearly reflected in the practice of our previous economic construction (see table 1).

<u>Period</u>	<u>"First 5-Year Plan"</u>	<u>"Second 5-Year Plan"</u>	<u>1963- 1965</u>	<u>"Third 5-Year Plan"</u>	<u>"Fourth 5-Year Plan"</u>	<u>"Fifth 5-Year Plan"</u>	<u>1953-81</u>
Average In- vestment rate	14.8	23.2	14.0	15.5	20.6	21.2	19.1

The "Second 5-Year Plan" period and the 3 years of readjustment following it were abnormal, and do not count. One thing is clear from Table 1 is the upward tendency of our country's investment rate. Of course, the problem of investment rate has in the past been influenced by "leftist" ideology, but this has only influenced the extent of the rise, and the overall upward tendency cannot be denied.

2. The specific movement of our investment rate takes the form of small fluctuations.

If we look at separate years, we see that the main factor affecting the investment is the extent of fluctuation in the growth rate of the national economy. In those years when the national economy experienced a high growth rate, the investment for the most part rose, and vice versa.

The investment rate can be broken down into two big parts--the accumulation investment rate and the depreciation investment rate. The accumulation investment rate is the ratio between accumulation funds used for investment in fixed assets and the amount of the national income utilized. The depreciation investment rate is the ratio between depreciation funds and the amount of utilized national income. Expressed as a formula, this is as follows:

The investment rate equals accumulation investment rate plus depreciation investment rate. The ratio between depreciation funds and national income is relatively stable, and can basically be taken as a constant amount. So the accumulation investment rate is the major part deciding the level of investment rate.

The influence exerted on the accumulation investment rate by the fluctuations in the growth rate of the national income is relatively big. Utilization of the national income can ultimately be broken down into two big parts--accumulation funds and consumption funds. These two funds have different levels of elasticity; under our wage and price system, the accumulation funds are relatively elastic, and consumption funds less so. When the annual growth rate of the national income exceeds normal yearly levels, the portion which exceeds these levels will be used more on accumulation and less on consumption, so that accumulation funds will see a corresponding rise; conversely, when the growth of the national income runs into difficulties, and its growth rate drops, the amount by which it falls short will be recovered by squeezing accumulation funds, so the accumulation investment rate will drop accordingly.

Accumulation funds are used mainly for investment in fixed assets and supplementing liquid assets. A certain amount of liquid assets is essential for existing production, and therefore in certain periods, the portion used to supplement liquid assets will be less elastic than that used for investment in fixed assets, which will in turn mean that the proportion of accumulation funds used for investment in fixed assets will often drop along with the drop in accumulation rate. This is by no means the case in all years, due to the influence of various other factors; however, under most conditions, the fact that the accumulation investment rate rises and falls along with the accumulation rate is not affected.

So if we combine the two aspects of accumulation rate on the one hand and the ratio between fixed assets and liquid assets on the other, we find that the accumulation investment rate, and therefore the whole of the investment rate, will generally rise and fall along with the rise and fall of the national income growth rate.

Table 2. How the investment rate and accumulation rate in our country have followed the fluctuations in the national income growth rate from 1974 to 1981 (percentage).

Note: In table, the number 1. represents percentage for the year; number 2. represents percentage by which it exceeded the previous year.

Index	<u>1974</u>		<u>1975</u>		<u>1976</u>		<u>1977</u>		<u>1978</u>		<u>1979</u>		<u>1980</u>		<u>1981</u>	
	1.	2.	1.	2.	1.	2.	1.	2.	1.	2.	1.	2.	1.	2.	1.	2.
National income growth rate	1.1		8.3	7.2	-2.7	-11.0	7.8	10.5	12.3	4.5	7.0	-5.3	5.2	-1.8	3.0	-2.2
Accumulation rate	32.3		33.9	1.6	30.9	-2.0	32.3	1.4	36.5	4.2	34.6	-0.9	31.6	-3.0	28.3	-3.3
Investment rate	20.2		22.2	2.0	21.6	-0.6	21.3	-0.3	22.5	1.2	20.8	-1.3	20.2	-0.6	17.3	-2.9

Table 2. shows that the changes in the accumulation rate were entirely consistent with those in the growth rate of the national income, and that the changes in investment rate were basically consistent with those in the national income growth rate, apart from in 1977. Furthermore, we can see that apart from the year of great readjustment (1981), the fluctuations in the investment rate were far smaller than those in the national income, and not much greater than those in the accumulation rate, with fluctuations not generally exceeding 2 percent.

III. An Analysis of Our Country's Investment Rate

1. By looking at the trends in our investment rate, we can see the problems existing in the construction scale of previous years.

a. Between 1957 and 1970, the annual scale of construction experienced sharp rises and falls, and fluctuations were excessively big.

Under the guidance of "leftist" thinking, from 1958 to 1960, the investment rate leaped from the 14 percent average rate of the "First 5-Year Plan" to 25 percent, 28.9 percent, and 33.0 percent in three separate leaps. The relative annual construction scale more than doubled, while the absolute annual construction scale expanded by two and a half times. Closely following this came 2 successive years of overturning the national economy, in 1961 and 1962, investment in fixed assets was forced abruptly down, to the extent that in 1962, investment in fixed assets was only 95 percent of the 1958 figure, and only 9.2 percent of the national income utilization figure. This, then, was the first massive fluctuation. Then the so-called "great Cultural Revolution," launched in 1966, destroyed our newly recovered economy, so that 1968's investment rate was only 10.8 percent, and the amount of investment only just compared to 1957; this was the second great fluctuation. Huge fluctuations in the yearly scale of construction make it difficult to suit human to material resources: when the scale of construction is expanded, huge numbers of projects are launched, but when it is reduced, it is difficult to abandon these projects, and so the overall scale of construction expands consistently, construction schedules inevitably extend, costs grow, returns on investment are slowed down, and thus economic results deteriorate. We must keep this lesson firmly in mind.

b. In the seventies, our investment rate was generally a little too high, as was the yearly scale of capital construction.

The investment rate in 1970 rose from 1969's level of 16.1 percent to 19.6 percent, and in 1978 reached 22.5 percent. The average rate over the "Fourth 5-Year Plan" period was 20.6 percent, and 21.2 percent in the "Fifth 5-Year Plan" period, making an average of 21 percent over the whole of the seventies. This was a little high when compared with the national strength at the time. The main reason for this was that under the influence of "leftist" thinking of the "Cultural Revolution," there had for a long time been no serious readjustment of workers' wages, or of state purchasing prices for agricultural and sideline products, so that consumption funds were a little low, and accumulation funds a little high. Only with the readjustment in wages and prices and the cutting back on capital construction in 1979 did things begin to take a turn for the better. By 1980, the investment rate had dropped to 20.2 percent, and to 17.3 percent in 1981, which when seen in relation to that year's low 3 percent national income growth rate, was not too low, but reasonable.

From now on, we must work on this basis, and according to the level of the growth rate of the national income, decide on a rational investment rate, and work hard to avoid massive fluctuations in the scale of capital construction from one year to the next, thereby ensuring the stable and consistent growth of investment in fixed assets. Only in this way can we guarantee the achievement of the strategic goal of quadrupling the total industrial and agricultural output by the end of this century.

2. By comparing the investment rate with the accumulation rate, we can plot the path of improving returns on utilization of our accumulation funds.

The ratio between our investment rate and accumulation rate in various periods is shown in Table 3.

Table 3, the balance between our investment rate and accumulation rate (percent).

	<u>Accumulation Rate</u>	<u>Investment Rate</u>	<u>Balance</u>
"First 5-Year Plan"	24.2	14.8	9.4
"Second 5-Year Plan"	30.8	23.3	7.5
1963-65	22.7	14.0	8.7
"Third 5-Year Plan"	26.3	15.5	10.8
"Fourth 5-Year Plan"	33.0	20.6	12.4
"Fifth 5-Year Plan"	33.4	21.2	12.2
1953-1981	29.2	19.1	10.1

Statistics of our investments in fixed assets are incomplete, so the figures are a little low; but they include reinvestment of depreciation funds, which should be left out when comparing with accumulation rates, so the depreciation figures offset the omissions in the statistics, meaning that they end up largely correct. So, the margin between investment rate and accumulation rate was used basically to add to liquid assets, to increase reserves. Table 3 shows that each year we use about 10 percent of the national income to increase reserves for future use, with only 90 percent of it being able to be made use of in that year or the future. This ratio is far higher than in Western countries, but about the same as in the Soviet Union.

One of the important reasons for the poor results from utilization of accumulation funds is the fact that too many of our accumulated products are put into warehouses, and so there is pressure to use too many of the accumulation funds to supplement circulation funds. A high accumulation rate and a low investment rate constitute an important characteristic and [word indistinct] important shortcoming of the use of our accumulation funds. If we do not overcome this, returns on our utilization of accumulation funds cannot possibly see any basic improvement.

The task of reducing the amount of the net social product used to add to warehouse reserves (or the reserve stocks rate), or shrinking the "scale of stock," is much more difficult than that of reducing the scale of capital construction. This is because over a short period of time, capital construction is relatively elastic, and if a little less construction is carried out, this will not severely influence production or life; moreover, the power to decide how

much investment to make in capital construction in the budget is entirely in the hands of the state. But cutting down on reserve stocks is quite different; the national economy is thrown out of balance, supplies are not geared to demands, circulation channels are blocked, and the simple control of the supply of circulation funds not only fails to solve the problem, but even adds fuel to the fire. But we cannot just shrink back in the face of these difficulties, and not dare to raise the slogan of "cutting down on the scale of stocks." If the amount by which the scale of capital construction was too big during the seventies may be reckoned in percentage, then the excessiveness of the "scale of stocks" may be reckoned in hundreds of percent. Compared to foreign countries, the excessiveness of our accumulation rate lies mainly in the sphere of supplementing circulation funds, not in that of investment funds. Therefore, the slogan "cut down on reserve stocks, economize on circulating funds" should be shouted even louder than the slogan "cut down on capital construction." This is one of the main directions of attack in the task of amassing construction funds, improving returns on the utilization of accumulation funds, and speeding up socialist economic construction. If we can reduce the warehouse reserve rate, then we can reduce the accumulation rate, expand the consumption rate, and also raise the investment rate, so greatly enhancing returns on construction funds.

Taking an overall look at the history of the developmental trends of our country's investment rate, if the average investment rate during the "Sixth 5-Year Plan" is maintained at 20 percent, and does not fluctuate more than 2 percent, that is, if it stays between 18 and 22 percent, rising gradually to an average level of 23 percent by the end of the century, or between 21 and 25 percent, this will be appropriate.

CSO: 4006/647

FINANCE AND BANKING

BRIEFS

JILIN SAVINGS DEPOSITS—By the end of July 1983, savings deposits in the urban areas of Jilin Province had increased 175 million yuan, an increase of 17 percent over the corresponding 1982 period. The total amount of urban savings deposits totalled 1.5 billion yuan. The average per-capita savings deposits increased from 198 yuan in 1982 to 223 yuan and the average per capita savings deposits of workers increased from 323 yuan to 365 yuan. [Summary] [Changchun Jilin Provincial Service in Mandarin 1030 GMT 8 Jul 83 SK]

JILIN TAX REVENUE—In the first half of this year, Jilin Province's industrial and commercial tax revenue totalled 691.35 million yuan, fulfilling 51.2 percent of the annual target, an increase of 70.71 million yuan or 11.4 percent over the corresponding 1982 period. In addition, Changchun City increased tax revenue by 5 million yuan over the corresponding 1982 period. [Summary] [Changchun Jilin Provincial Service in Mandarin 1030 GMT 6 Jul 83 SK]

CSO: 4006/672

MINERAL RESOURCES

JINGJI GUANLI ON EXPANDING TITANIUM APPLICATION

HK020726 Beijing JINGJI GUANLI in Chinese No 6, 5 Jun 83 pp 14-15

[Article by Gao Lijian [7559 4539 6197] "Energetically Expand the Application of Titanium"]

[Text] Compared with other commonly used metals, titanium is a new metal and its history in industrial production and application dates back to just over 30 years ago. But titanium has excellent properties (smaller specific gravity, high strength, comparable in strength to other means, and resistance to corrosion and high and low temperatures) and, therefore, it can be widely used in national defense and such industries as metallurgy, chemicals, machine building, and light and textile industries. The titanium industry has been developing staggeringly fast in the world. Take the situation in the United States for example. In the 7 years from 1950 to 1957, the output of sponge titanium in this country increased by 350 fold. Many people in other countries regard titanium as the third metal after iron and aluminium.

Our country has rich titanium deposits and the deposits that have so far been located are among the biggest in the world. These deposits are located in 19 provinces and regions and more than 90 percent are in Hebei, Guangdong, and Guangxi Provinces and in the Panxi region. Over the past few years, major developments have been made in comprehensive utilization and exploitation of titanium resources in the Panxi region where a considerable portion of the titanium processing industry and research system have been set up to provide a good foundation for expanding the application of the metal.

The application of titanium in China was started by such industries as aviation and aerospace. Over the past few years, chemical industry, metallurgical industry, machine building industry, and light industry and textile industry have also gradually used titanium. Rapid progress has been made in chlorine-base technology in which titanium metal positive electrodes are used to replace graphite positive electrodes; the metal has also been used in making cooling devices in acid-base chemical enterprises, electrolyzers, and pipe heaters in nonferrous metallurgical enterprises; titanium pumps and valves have been made to replace copper ones to solve the problem of corrosion; the metal has also been used in additives and dusters in the metallurgical industry and in equipment for extracting saltpeter in salt industry and in making pipes for salt water. But taken as a whole,

the popularization of the application of titanium is not fast enough. And the reasons include the lagging behind of related science and technology; but one of the most important factors is the problem of policy and management. In order to step up the popularization of the application of titanium in various industrial departments in China, I think it is imperative to solve the following main problems:

First, the problem of price. For quite a long period, the price of titanium has not been rational. Consequently, there is a big difference between the volume of the application of titanium and potential needs; objectively, the metal is needed but the enterprises that are producing the metal have found that their supply has exceeded demand and consequently it is "unmarketable." On the one hand, we are producing titanium domestically while, on the other hand, we are importing it. How can we solve the irrational price of titanium when it is still impossible to reform the price system of the metal in an overall way?

The enterprises that are involved in the production of titanium must base themselves on the requirements of customers and follow the principle of selling more with less profit or even selling without profit. This is the only way to promote the management of the enterprises and decrease consumption and cost.

Although the price of titanium is 4 to 6 fold higher than that of stainless steel, and nickel, the strength and specific gravity of titanium enables us to use it for the same equipment that is made of stainless steel with two-thirds to three-fourths less materials; therefore, in fact, the price of titanium is only 1 to 2 fold higher than stainless steel and about 1.2 to 1.6 fold higher than that of steel and nickel. If we consider such aspects as titanium is highly anticorrosive and more durable and if the price of titanium is lowered down by about 20 percent, the sales of the metal can be increased to help quicken the application of the metal.

In order to overcome losses in the production of titanium because of lowered prices and deficient funds, the factories that are producing titanium must be allowed during a certain period to make policy which incurs losses and when conditions permit, they must be subsidized by the state.

Second, tax.

The state must implement the policy of supporting the production of titanium. First of all, it is imperative to exercise preferential tax, that is, the production of titanium must be exempted from tax for a certain period.

Third, buyer credit must be introduced in the titanium industry.

At present, some enterprises do not have enough funds for carrying out reform and this situation is not in the interest of expanding the application of titanium. Therefore, it is necessary to define different rates and different periods of payment for different enterprises. Preferential loans must be given to the technical reform of titanium materials and equipment while buyers can be given low interest loans.

Fourth, guarantee state reserves.

Titanium can be widely used in military and civil undertakings and is also an important strategic item. Therefore, it is imperative to proceed from a strategic goal, guarantee the reserves needed by the state, and actively support the survival and development of related factories. It is imperative at the present stage to allocate a certain amount of funds from the national defense budget as state special reserve fund for purchasing and reserving titanium.

Fifth, implement a protective policy toward the titanium industry.

The principle for developing our titanium industry is to rely on the home market. A cautious attitude must be taken with regard to importing titanium and titanium white. It is also necessary to implement the tax policy of awarding exports and restricting imports and import-export policy.

In addition, in order to support the popularization of the application of titanium, it is necessary to do a good job in such aspects as disseminating, planning, strengthening the research and production of various titanium industrial products and exchanging experiences in expanding the application of titanium.

CSO: 4006/698

MINERAL RESOURCES

BRIEFS

JILIN NONMETAL RESERVES--After 3 years of field work, geologists in Jilin Province have discovered that the province is rich in nonmetal reserves, including zeolite and pearlite. In 1982, 13 small cement plants began mixing zeolite with cement in an effort to raise the quality of cement and to reduce production cost. [Summary] [Changchun Jilin Provincial Service in Mandarin 1030 GMT 8 Jul 83 SK]

CSO: 4006/672

INDUSTRY

CALLS FOR MORE VARIETY IN TEXTILES

HK140720 Beijing CHINA DAILY in English 14 Jul 83 p 1

[Article by "our staff reporter" Zhu Ling: "Competition Is Bringing Changes to Textile Industry"]

[Text] For the first time in 30 years China's textile producers are having to face up to the threat of competition.

Large increases in production have turned a seller's market into a buyer's market and textile enterprises are busy working out new ways to promote sales, according to Wu Wenying, the new textile minister.

In an interview with CHINA DAILY, Wu said that in the past two years more than 10,000 new textile products had been trial-produced.

Customers now have a variety of products to choose from, unlike the past when most textiles were in short supply and customers had to queue up for whatever was available.

Peasants' purchasing power is increasing rapidly and they are becoming more discriminating in their choice of clothes.

"The left-span of textile styles and designs is growing shorter so we are pressed to improve our products," the minister said.

"We have established 10 research centres to survey and forecast urban market trends quickly.

"We expect all our textile colleges and schools to establish departments of garment design, besides offering short-term training classes for designers," she added.

China's textile industry is technically rather weak. Technicians account for only 1.5 percent of the textile staff. Many medium and small enterprises have no graduates from institutions of higher learning.

"So we encourage complementary co-operation among our textile enterprises," the minister said.

"We will adjust the product mix," she said. "We will temporarily stop producing such traditional products as pure cotton khaki and gabardine because we have a big backlog and we will develop chemical fibre fabrics like polyester mix."

Most importantly, Wu said, decorative fabrics will be developed, including curtains, table cloths, furniture slipcovers, carpets and wall coverings.

"We will also transform a considerable number of spinning, weaving, dyeing and printing machines to make wide fabrics," she said, adding that new techniques of printing and dyeing will be developed.

Over the next few years several hundred items of advanced equipment will be introduced, Wu said.

"We have one billion people to serve at home and our prime task is to explore the vast domestic market and boost the level of the textile industry to cater to the growing needs of our own people," she remarked.

Visible progress has been achieved, the minister reported, adding that gross production value had risen since 1978 by an annual average of more than 12 percent.

CSO: 4020/101

INDUSTRY

STATE SHIPBUILDING CONCERN OPENS REPAIR YARDS

OW130831 Beijing XINHUA in English 0807 GMT 13 Jul 83

[Text] Beijing, 13 Jul (XINHUA)--The China State Shipbuilding Corporation has opened two foreign ship repair centers in Tianjin and Guangzhou, and plans to establish another in Shanghai.

In the first half of 1983, dockyards repaired 15 vessels from the United States, Poland, Singapore and Hong Kong, according to the corporation's ship repair department.

The centers have 15 shipyards, including China's largest, Jiangnan shipyard, Hudong, Shanghai, Xingang and Guangzhou shipyards. They have 23 docks, 15 of which are capable of handling vessels of 10,000 tons and more. The largest dock, in the Shanghaiquan shipyard, Hebei Province, can repair 75,000-ton ships.

Chinese shipyards repair offshore oil drilling rigs in addition to freighters, passenger ships and tug boats, said Zhang Jianchen, deputy director of the corporation's ship repair department.

They can install crude oil washing and inert gas protection systems, fire-fighting equipment and facilities for treating oil-polluted water in the engine room and anticollision radars.

They also undertake to lengthen, widen and deepen ships, change engines, and shift the purpose of a vessel, repair containers and dismantle ships.

Some 6,000 to 7,000 foreign ships call at Chinese ports every year. China trades with 170 countries and regions. Ship maintenance and service stations have been set up in Shanghai, Guangzhou and other places in cooperation with companies of the Federal Republic of Germany, Switzerland and the United States.

CSO: 4020/101

INDUSTRY

BRIEFS

TIANJIN GAS WORKS--Tianjin, 19 Jun (XINHUA)--A plan for building another gas works for Tianjin, an important industrial center in north China, has been approved by the State Council, in order to reduce air pollution from cooking stoves. The new gas works will be one of the largest in China, with a projected investment of 160 million yuan. It is designed to produce 600,000 cubic meters of gas a day, and will supply 200,000 households, factories and public facilities. The city's first gas works is still under construction and scheduled for completion next year. The two gas works will supply 300,000 households with cooking gas. Construction of the second gas works will start next year. The project is scheduled for completion by the end of 1987. Most major equipment for the new gas works will be manufactured in China. Part of its auxiliary equipment will be imported. Apart from generating gas, it will also produce coke and some chemical products. More than 250,000 households in Tianjin are now using propane and natural gas from the Dagang oilfield. With the completion of the two gas works, the city's gas users will number 550,000 households, accounting for 65 percent of the total number of households in the city as against 31 percent at present. [Text] [Beijing XINHUA in English 0718 GMT 14 Jun 83 OW]

CSO: 4010/83

CONSTRUCTION

RENMIN RIBAO ON CONTRACT SYSTEM FOR INVESTMENT

HK150430 Beijing RENMIN RIBAO in Chinese 11 Jul 83 p 5

[Article by Liu Keren [0491 0344 0088]: "It Is Good to Implement the Contract System in Making Investment in Capital Construction"]

[Text] For many years, the capital construction front has suffered seriously from waste of funds and the practice of "eating from the same big pot", resulting from the "leftist" influence and the shortcomings in our management system. Long construction periods, poor quality, and considerable waste have been rather common in the capital construction front. One method to solve this problem is to implement the contract system for investment.

In making investment in capital construction at present, the department in charge of overall planning is responsible for allotting the needed funds to the project unit. The latter provides, in turn, the funds and the building materials needed for the project to the enterprise in charge of construction, which only provides pure labor service. The progress and the economic results of a construction project are not definitely and directly linked with the construction enterprise. Therefore, there is no internal motive force to bring the initiative of the construction enterprise into play. By implementing the contract system for investment, we can link the three aspects--namely, funds, materials, and construction--together; change the old management process in which the use of funds, the allocation of building materials, and construction are isolated from each other; integrate social economic effect with the interests of the enterprise; and thus improve the economic results of capital construction.

The main form of the contract system for investment in capital construction is that, based on the designed scale, budgetary estimates, and specifications of the project approved by the state and in accordance with the relevant regulations of the state, the project unit and the unit in charge of construction sign a contract between them for the completion of the project which clearly defines the economic responsibilities of the two sides. In light of the experiences of Hebei Province, there are mainly two forms of contract so far. The first form is to contract for the construction of buildings for civil use by quoting the construction cost per square meter, and the second is to contract for the completion of a single project by quoting the price based on the estimated cost given on the construction drawing with coefficients added.

As for large- and medium-sized industrial construction projects, the form of contracting is still being searched for.

Tangshan City has already acquired successful experience in adopting the system of contracting the construction of buildings for civil use by quoting the construction cost. It applied this method to the project for the construction of four residential subdistricts in the second half of the year 1980. These 4 subdistricts consist of 192 residential buildings, which provide a total residential area of 428,000 square meters; 54 public buildings, which provide a total area of 51,300 square meters; and some accessory projects, such as the network of outdoor conduits, the traffic network within the subdistricts, and so on. Then construction cost of the project totaled 73,903,000 yuan. The contract covered the following areas: the project scale (the construction of all the residential buildings in the subdistricts, all public facilities and buildings, the indoor and outdoor sewage, gas, and warm airheating systems, all streets up to a width of 6 meters, and so on), the construction period (with the condition that should the construction quality be up to the required standard, a bonus of one-tenth and two-tenths of a percent per thousand of the total construction cost to be charged to the budgetary estimate would be granted to the construction unit if the construction was completed 1 month ahead of schedule; and an equal amount to be paid with the accumulation funds of the construction enterprises and not to be claimed as construction costs would be charged to the construction unit if the construction costs would be charged to the construction unit if the construction unit delayed the completion of the project by 1 month), the construction quality (the construction quality must accord completely with the design specifications; the high-quality rate must reach 70 percent, and the proportion of overall high-quality construction items must reach 70-90 percent, the construction unit must be responsible for repairing all items which fail to meet the quality standard; and the total construction period must include the time for repairs), and the construction cost. With the construction cost per square meter fixed, the final version of the contract is signed, the portion of cost exceeding the budgetary estimate are not to be compensated, and the saved portion is retained by the construction unit.

Changzhou City has achieved encouraging results in adopting the system of contracting for the completion of a single project by quoting the price based on the estimated cost with coefficients added. The following is the specific method practiced in the city: The budgetary estimate is made based on the construction drawing of the single project, coefficients are added to the budgetary estimate according to the nature of the project and the actual circumstances of the construction site, and then a final contract which covers the total cost is signed. The contract clearly defines the responsibilities of the two parties involved. The project unit must provide "four guarantees": guarantee to supply all working drawings, guarantee to acquire from the state and departments the building materials which meet the quality standards, guarantee that all internal parts of the construction project pass the quality check, and guarantee the building of roads, water supply facilities, and electric power installations and the levelling of land at the construction site. On the other hand, the unit in charge of construction must contract for four

things: investment, scale of construction, construction quality, and construction period.

The practice in more than 1 year showed that the adoption in one form or another of the contract system for investment in capital construction, can achieve conspicuous economic results.

First, the system can shorten the construction period; second, it can reduce the construction cost; third, it can raise the project quality; fourth, it can improve the economic effect of the construction enterprises; and fifth, the system improves efficiency by simplifying the procedure and reducing disputes over trifles between different parties involved.

CSO: 4006/672

CONSTRUCTION

OVERALL CONTRACTS FOR CAPITAL CONSTRUCTION PRAISED

Tianjin TIANJIN RIBAO in Chinese 9 Feb 83 p 1

[Article by Correspondents Qiao Jiaming [0829 1367 2494] and Zhang Xunhe [728 6064 0735] and Reporter Wu Bingjing [0702 3521 2537]: "It is Better to Have One Firm Do the Work Than One Firm Guarantee It; Construction Bureau Carries out Survey of Construction Contracts for Fully Equipped Small Residential Areas"]

[Text] The coldest days of winter are generally a slack time for construction, but in Ti Yuanbei the construction sites are very busy. Here they are just doing the final inspection of completed housing. People pull on the light string and the light goes on; they turn the faucet and water comes out; the drains and chimneys work; outside the streetlights are installed and the schools, day-care centers, shops and other facilities have also been built. This is really a treat for the residents! How did this come to be?

Four Accounts at A Glance

This is a flower which bloomed in the breeze of reform, the fruit of overall contract construction of fully equipped residential areas.

What is an overall contract for a fully equipped area? How is it done? What are the advantages?

Comparison is the best answer.

Let us take two newly built residential areas: the Dingzijie residential area and the Ti Yuanbei residential area. Comrades of the Construction Bureau have calculated four accounts for these two residential areas.

The Construction Time Account. There were 11 buildings in 3 areas in Dingzijie with a total area of 33,800 m² and the construction time was 1,047 days. In Ti Yuanbei there were 17 buildings in 6 areas with a total area of 58,000 m² and construction time was 443 days. The latter took 604 days less than the former.

The State Income Account. The average time to complete construction of the Ti Yuanbei residential area was 16 months less than for the Dingzijie

residential area, i.e., the turnaround time for state funds was reduced by 16 months and results of investment were realized 16 months early. Thus, if the construction funds for the 32,000 m² of completed construction in Tiyyuanbei were in a bank, the annual interest would be 1.5 million yuan, and rental income an additional 700,000 yuan.

Enterprise Income Account: The overall cost of building the 9 areas of Dingzijie was 10.49 million yuan and the construction time was 955 days, so the average daily value of enterprise output was 10,600 yuan. The overall cost of building the 6 areas of Tiyyuanbei was 9.04 million yuan and the construction time was 443 days, so the average daily value of enterprise output was 20,100 yuan, or nearly twice that of the former. Overall contracting also spurred on an improvement in the entire bureau's economic results. Last year, the Construction Bureau completed 1.82 million m² and the volume of work was 403 million yuan, increases of 13 percent and 16 percent respectively over 1981, and the total profit realized for the entire year may reach 51 million yuan.

The Employee Benefit Account. The economic results of overall contracting are high and the collective benefits are also greater. Last year the bureau's investment in employee housing was 25 million yuan and over 80,000 m² of employee dormitories were built. Employee income has also increased. In the Seventh Construction Company, which had the overall contract for the Tiyyuanbei construction area, the average employee bonus was 50 percent higher than the average employee bonus of the Dingzijie construction site which was separately contracted. The changes for water and electricity workers in particular were great; labor beyond the norm received the appropriate compensation and bonuses increased 70 percent.

Why are the differences between the four accounts for these two projects so striking? One basic reason is reform! The Dingzijie residential area used separate contracting, but the Tiyyuanbei residential area used overall contracting for fully equipped small areas.

Overall construction contracting for fully equipped small areas is a reform in the construction contracting system, i.e., in residential construction a construction company built the houses and the water, sewage, and electricity facilities were taken care of separately by the municipal government, public utilities and the electric company, but now the construction company alone completes all work.

"Putting Everything Together" Wins out over "Splitting Things Up" Changing from several contractors to one contractor changed the administrative thinking of construction firms and linked together the benefits of state investment, the economic benefits of the firm and the social prestige of the construction industry. Building a house for the master is an obvious matter, but with the separate contracting system the construction unit is concerned only with building the house and once it is done they feel they are finished and connecting the water and electricity is someone else's job. Thus many completed houses are "idle homes" which cannot be lived in for a long time, or are "semi-finished goods" to which the residents must carry water and use

candles for light. Frequently it takes a year to build a house, a year to equip it, and a year to take possession. The Yantocun residential area, which was built under separate contracts, was built between 1978 and 1979, but it was not fully equipped until October 1980. The shortest period of time a house stood idle was 10 months and the longest time was 2 years. Overall contract construction is very different: the employees of the construction unit take the project from construction to outfitting, actually turning a semi-finished product into a finished product which can be handed over to the resident.

The 24 residential areas which the Construction Bureau overall contracted had 610,000 m² and at the end of the year were basically equipped, water was connected, lights worked, and the day of completion was the time when the residents could move in. The 10 areas of residences in Tiyanbei which the First Construction Co built were done as "four this years": start this year, finish this year, hand over this year and live in this year. The Hongfangzi residential area undertaken by the Sixth Construction Co consisted of nine multilevel buildings, more than 21,000 m². Construction began in May of last year and they were completely finished and equipped in December. People are now moving in, so from construction to residence has only taken a little over 8 months.

Changing from several contractors to one contractor has eliminated the old defects of the separate contracting system and blazed a new path for construction management. In separate contracting, each firm "hawked its own wares and took care of its own business" on the same site: cutting off water, electricity, and roads harmed the "finished product" and "semifinished product" and influenced each other's normal progress of construction. Each one sets up temporary buildings, brings in machines and materials, and assigns managerial and duty personnel. Between units, associations, procedures, documents, complex procedures, wrangling, and pushing responsibility onto others is a common sight. These defects have an impact on construction production and on economic results. Because of interactions with other contracting units in building the Jianchangdao residential area, the Third Construction Co moved out over 280 pieces of machinery and materials, dismantled 1,000 m of water and electric lines, and tore down 150 m² of temporary buildings. Because water and electricity were cut off, work had to stop over 20 times, more than 70,000 yuan were lost, and other construction units were similarly affected. The Municipal Construction CPC Committee had to hold five meetings to coordinate relations at this site. Overall contracting resolves this defect and realizes a reform in production relations and construction management. It is like cooking a banquet: separate contracting is like inviting several chefs, some make the main course, some make the vegetables, some make the soup, each has his own stove, each takes care of his own thing, but overall contracting is like inviting one chef to do everything, the results are quite different. The Construction Bureau's overall contract projects last year secured the managerial results of short construction time, high quality, economizing in expenses, on-the-spot corrections, low costs, and good product protection. Of the 300,000 m² completed Tiyanbei project, 260,000 m² was classed as complete and superior, or percent of the area of the entire completed construction in the residential

area of the project. The project undertaken in Tiyanbei by the Fourth Construction Co came off the drawing board in September last year. Time was short and the task was a big one. They used the method of overall planning to direct construction, made use of every bit of time and while the main project was being built they arranged for equipment and basically guaranteed completion at year's end.

Changing from having several firms do the work to one firm taking on the contract has smashed the "big pot" in construction contracting and has set up the "one-family kitchen" so that firms which accept overall contracts feel the pressure and have the motivation and energy to advance. People often say that it is even hard for an honest official to settle a family dispute and when eating from "one big pot" it is even harder to deal with the responsibilities, rights and interests of each collective and individual. The separate contracting system is the "big pot" in construction contracting. Under the separate contracting system a residence cannot be completed fully equipped, construction time is dragged out and there are problems of quality and separate contracting units often have targets for "pushing" and reasons for "blocking." The overall contracting system places the responsibilities, rights and interests for completing construction of fully equipped houses on one firm; if they do a good job the firm gains more benefits, and the employees gain more rewards; if they do it poorly they have no one to blame if something goes wrong. Last year the Construction Bureau accepted the task of completing construction of 1.8 million m² of buildings and carried out about one-third of the overall contracting for fully equipped small areas. Accepting the contract for fully equipping added 614 km of electric cable, 45 km of water lines, 17 transformers and the installation of over 700 pieces of electrical equipment, making the burden even heavier, but the "dividing things up" of accepting the contract became "putting everything together" so that people's working attitude changed from "passing the buck" to "shouldering the whole responsibility" and leadership at all levels fixed people and places for on-site operations of overall contracting. The blueprints for many overall contracts for fully equipped projects do not come out until after August so some units send someone especially to the design section to copy the blueprints so they can arrange for materials and order goods. At critical times in construction of fully equipped projects, the cadres of many units organize voluntary labor and workers work on into the night. Engineers and technical personnel study intensively in the field the management and technology of water and electricity construction. Managerial personnel conscientiously study water and electricity installation equipment, design and property management. Personnel have been trained in installation of water and electricity, potential within firms has been exploited, and initiative has been mobilized in all areas.

After the Plaintiff Becomes the Defendant

In reform, as new things are born they are always accompanied by labor pains. Changing from several firms doing the work to one firm taking on the contract has brought many difficult issues for some employees and leadership at all levels in the Construction Bureau. In the past, if something came up

which affected construction or delayed work when several firms were working together, the construction section often accused someone else. But now, everything from ground-breaking to fully equipping has become a matter for their firm so the plaintiff has become the defendant. Last year, at a fact-finding meeting on the fully equipped units in Ti yuanbei, a comrade from the Construction Bureau took out the blueprints for the project and when the section concerned looked at them they pointed out immediately that the design of the electrical circuits had not been approved by the section in charge and they could not accept them nor could they build them according to the plans. The plans had been supplied by the design section so the comrades of the Construction Bureau went to the design section. The design section thought that the plans had been drawn up in accordance with state specifications for electric circuits and that there was no problem. The plans were not final so construction could not begin, work could not be completed on time, and the construction unit and the residents wanted to go to court. At the time, some units had already drawn up construction budgets and make work preparations according to the original designs and if the plans were changed, it would all be a waste. With both the loss and the accusation it was like being a mouse in a bellows, there was suffering on both sides. This sort of thing is hard to swallow; sometimes the section in charge and the section concerned went to court, sometimes the construction unit went to court, and sometimes the residents went to court. Under these circumstances, some comrades feel that although overall contracting brings along with it some bother and difficulty, the results are good, the residents are benefited, it is a step in the right direction and should be supported; there are also some leaders who think that doing overall contracting is just piling more things on their own shoulders; in the past when a housing project was completed, it was all done with and a load was taken off their minds. But with overall contracting, problems begin when the work ends, next year they may have to do it over again. With regard to this issue, the Construction Bureau CPC Committee repeatedly stimulated accountings, comparisons, discussions of significance, examinations of typical projects, conducted survey analyses, and finally unified thinking: overall contracting is a reform which should be continued. Being the defendant shows that we have many things which do not suit the demands of overall contracting and they should be reformed. Thus, the overall contracting system has provoked a chain reaction of reform in all units in the Construction Bureau system. Some units have readjusted the labor organization so that workers who previously installed only water and those who installed only electricity now do both. Some units have implemented a system in which the construction unit contracts for labor, materials and equipment expenses, some units have combined work unit contracting for costs per unit and size and specialist units contract for special expenses and ship contracting costs, so that contracting systems with all kinds of specifications have come into being. In putting in the water pipes in Niantonang area, the Second Construction Co learned a lesson from being criticized by the section in charge because the quality was not up to standard and from being criticized by the residents because they did not get the water in on schedule, and carried out the methods of linking compensation with production output, quality, being on time, and on-site management for the construction team and, as a result, being on schedule and quality were both up to the mark and the section in charge praised them for a project which did not need to be examined.

Yet the defendant also has his own difficulties. They are unwilling to be defendants yet they are not afraid to be, but they are especially unwilling to be "good-for-nothing" defendants reluctant to complain. For example, they hope that the overall contracting project will have a unit which will have overall charge of preconstruction preparations, head to toe associations, and organize inspections and delivery, to prevent management from going off in all directions like several "mothers-in-law" of one "bride." Last year, when they were about to turn over of a group of transformer buildings they had contracted to build, the section in charge said that screens had not been installed on the shutters so it did not meet the specifications and could not be accepted, let alone transmit electricity. However, the plans had not called for screens, and if it was not constructed according to plans, the construction unit would not be paid. Therefore, all they could do was find the construction unit, have the construction unit secure from the design section evidence of the changed plans, and with this evidence in hand make up another project budget, order the materials, then complete the project and finally ask the section in charge a second time to accept the project. The arrangements necessary to add the screens took 2 weeks, longer than actually putting them in. They felt that the problem was not attributable to any section, but that our fundamental system needed to be reformed and the reform had to be comprehensive and systematic, resolute and orderly. Only then can overall contracts for fully equipped construction be developed.

The leadership comrades of the Construction Bureau mentioned that in the upsurge of reform, the overall contracting system still needs further development. For example, reforming the system of construction costs on ordering and bidding, and commercialization of construction products are now roads but these need even greater courage and resourcefulness and daring. We have confidently and courageously worked out even more paths of reform; to build thousands of vast palaces, create many comprehensive and superior projects and improve the living conditions of the masses we are willing to be "the defendant" several more times.

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CSO: 4006/447

CONSTRUCTION

JINGJI GUANLI ON PROJECT BUDGETING WORK

HK031119 Beijing JINGJI GUANLI in Chinese No. 6, 5 Jun 83 pp 11-13

[Article by Xu Liheng [1776 7787 1220]: "Step Up the Work of Project Budgeting and Raise the Result of Investment"]

[Text] Stepping up the work of project budgeting is an important measure in doing a good job in capital construction and in raising the result of investment. Since the founding of the PRC, generally speaking, capital construction in our country has achieved rather great results but there still exist the problems of poor investment effect and of serious extravagance and waste. For example, construction of some projects had to be stopped midway because of a failure, in the first instance, of ensuring the source of supply of resources and eventually the projects had to be abandoned. In the case of some projects, the construction period was unduly prolonged because of changes in the design of the products, or because of change of plant site, or because of repeated revision of plans, thus causing the construction work to be stopped time and again. Some other projects, though completed were unable to start, or continue, production, because the designs of their products could not pass the test, or because the workers were not adept enough in the manufacturing process, or because there were problems concerning the planning and making of the specialized equipment, or because the products were not marketable. In this way, completion of a project virtually spelled its ultimate closing. Some other projects, though already having their major parts completed, were unable to put in train their full production capacity because the necessary supplementary parts were not available or because such facilities as water supply, electricity, and communications were still lacking or partially lacking. Over many years in the past, the experiences gained in capital construction in our country may be summed up as the following: Concerning the construction projects, we did not strictly make any study on technological economy or do any research work on engineering economy; nor did we watch closely the economic benefits. Rather, policies were hastily decided upon by the leadership and much was done according to subjective wishes. These were the basic causes for the poor economic benefits and the poor capital construction results.

Project budgeting is an important constituent part of engineering economy. It should penetrate the entire process of capital construction. Stepping

up project budgeting work and improving its quality will help in implementing the policy of "practicing economy and building the country through thrift and diligence." It also helps in the control of the capital construction plan and the practice of business accounting in the enterprises. Likewise, it helps in carrying out the economic analysis of the project and in promoting such spheres of work as financing, either by direct transfer from the state or by bank loans, in capital construction. In recent years, because funds were more plentiful, many enterprises thought that they had money and would not follow, or would follow only half-heartedly, the regular procedure prescribed for capital construction. They thought that all they needed to do was to get hold of the blueprints and that a budget was not at all necessary, being only a formality. Even in cases of projects involving millions of yuan, they would nonchalantly start planning on actual construction and skip the initial planning process. In so doing, invariably they would be confronted with the problem of the construction period being unduly protracted and problems of waste and extravagance such as those mentioned previously. Hence, we present below certain views on planning and budgeting work:

1. Cadres at Various Levels Must Highly Esteem Project Budgeting Work

We must strengthen control of the budgetary investment of projects, truly carry out centralization and unification in matters of finance, and work strictly in accordance with the capital construction schedule. During the first 5-year plan period, the enterprise units were all relatively deeply concerned with project budgeting work, whether it concerned matters of personnel or equipment or the organization structure. As a result, during that period, the per-unit investment was relatively low and the investment economic results were fairly good--all because project budgeting work had actively performed its role.

At present, the various departments, provinces, and municipalities should all set up special organs for the control of project budgeting work. This is for the following purposes: First, stepping up the control of matters concerning project budgeting, guiding and organizing various kinds of business activities, and organizing and developing research work on engineering economy; and second, vigorously carrying out investment control, checking and examining the investments simultaneously with checking and examining the planning, and fixing the responsibilities of the enterprise units concerning investment control in the construction process. Planning units must ensure that the construction plans will not exceed the investment limits approved by the state at the first stage (that is, the initial rough planning estimates), while the construction units should ensure that the investment targets specified in the construction agreement would not be exceeded (or that the amount of investment specified in the budget for the construction plan would not be exceeded). There must be a clear demarcation between right and obligation and definite criteria for rewards or penalties. We must truly grasp, and grasp well, project budgeting work as an important link in capital construction.

2. A Scientific System for Project Budgeting Work Must Be Installed

Project budgeting work should be gradually intensified according to the variations in the planning stages, in project intensity and in project uses. The current project budgeting system in our country is not good enough to meet the demands of budget compilation. We have now only one initial planning estimate, with no follow-up, with the result that so-called "control" merely follows the final accounts and reimbursement is made for what has been spent. According to the experiences in our country over the past 30 years, and following practices in foreign countries, we should set up in our country a project budget system comprising five different stages, namely, investment preliminary estimate, initial planning estimate, definitive estimate, construction chart budget, and construction budget. Of them, the investment preliminary estimate should be compiled by the state department concerned and the construction budget should be compiled by the construction unit concerned, while the others should be compiled by the planning department. Of the various types of construction estimates or budgets, the degree of accuracy of the investment preliminary estimate plays an important role in determining the success or failure of a project and is also one of the important factors for assessing the economic effect of the project. Hence, a solemn attitude should be assumed in taking up the work of compiling the investment preliminary estimate.

Initial planning estimates should be compiled in accordance with the required depth of the planning work. Initial planning should not be replaced by so-called "planning program," while the estimate should not be rough guessing work which would downgrade the quality of estimates.

Definitive estimates should be compiled after the initial planning estimates and before work is started on planning of the construction chart, in accordance with the views given in examining the projects concerned and making due provision for increases in the planning stages (technical planning stages). In particular, for large and medium-sized projects, definitive estimates must be compiled.

As for the construction chart budget, opinions have differed. In my opinion, a planning budget cannot take the place of a construction budget of the construction unit while similarly the latter cannot take the place of a construction chart budget. A planning budget principally reflects the planned value. It must be accurate, brief, and concise. Its purposes are: 1) to check if the construction chart has exceeded the planned investment at the first stage; if it has done so, then it must be compiled anew and submitted again for approval; 2) to serve as basis for revising or compiling the annual plan; 3) to serve as the basis for the construction bank to control and transfer of funds; 4) in the case of small projects and subject to approval of the parties concerned, to serve as a basis for "investment contractual responsibility"; and 5) to serve as a basis for "estimating in advance the base cost of the project in the event that tenders will be called.

The five types of project estimates or budgets mentioned above should be linked together in sequence to facilitate reciprocal control. Following job completion, an investment analysis should be made and a set of files on project or engineering economy should be kept for future reference. Naturally, in the case of small projects, they may be separately treated not necessarily subjected to the same treatment.

3. Must Display the Investment Supervisory Role of Project Budgeting Work in the Planning Process

Planning work has its basic technical and economic requirements. At the same time, it is necessarily governed by such conditions as the limits for investments. In the planning of complex projects, it is all the more necessary to make use of the principle of "feedback control," in order to improve the quality of systematic planning. Project budgeting work precisely displays the two functions of "reflection" and "feedback" in the planning process.

In foreign countries, great importance is attached to supervisory and testing work as a measure to preserve the similarity of the planned value with the target. In these countries, as early as in the policy making stage, on top of continuously intensifying the planning and examination of the project contents, rough estimate work is repeatedly made as the project is subjected to repeated comparison and study. After the start of planning work, at least when it is 1/3 or 2/3 completed, an all-round rough estimate, evaluation, and examination will be made on the scope of the planning, the general arrangements, total investment involved and progression of the construction work. It is far better to spend more time on the planning stage and to make the planning more precise and concrete than to be compelled to mend any errors afterward. This will prevent and reduce economic loss and waste of time.

At present, in the circumstance of our country's financial stringency, it is all the more necessary to carry out investment supervisory and testing work in project planning. Utmost efforts should be made to clarify or expose any problems prior to starting construction work. Only in this way can we truly realize the construction guideline of "do within one's capacity," and "do only as many things as you can afford," and reap the best economic results with the minimum amount of investments.

4. Constantly Carry Out Investment Analysis; and Continuously Increase the Degree of Accuracy of Project Budgeting

The degree of accuracy in project budgeting follows the sequence of the respective budget or estimate types and increases grade by grade. In foreign countries, harsh demands are made on the degree of accuracy at the various stages. For example, in the United States, concerning the six types of project budgeting (crude estimate, investigative estimate, initial estimate, definitive estimate, budget plan and budget for tenders) definitive stipulations are made on their error margin, uses, compilation time and data-contents

required. At present, concerning the method of raising the degree of accuracy in project budgeting, I believe that the following three problems deserve our attention:

1. Since the 3d Plenary Session of the 11th CPC Central Committee, expanded reproduction has been gradually transformed from expanded reproduction by extension, as the center to expanded reproduction by intension, as the center. Principal reliance has been laid on the technical transformation of old plants to improve and expand their production capacity and concurrently, on appropriately reducing capital construction investments. Under such conditions, a problem that should not be overlooked is how to do a good job in the calculation, control and use of the technical transformation funds. In the past, insufficient attention was paid to this problem principally because the technical transformation funds were raised by the enterprises themselves and reimbursement was made on what had been actually spent, there being no restriction whatsoever. Moreover, budgeting work on technical transformation was more difficult than that on new projects and little or no attention was paid to this phase of the problem. But at present if this problem continues to be ignored, then it will be difficult to cope with the work requirements from now on. In fact, the lessons that we should study now involve such problems as the target system and investment results of the intension type, investment estimates for demolition projects, and the composition and standard of various kinds of expenses.

2. We must have a timely understanding of the market conditions. We must study the movements of project construction costs. The main factors determining the project construction cost consist of construction and installation expenses, costs of materials, and costs of equipment. In foreign countries, an important task in project budgeting work is a study of the price factors. In our country, since for many years commodity prices have been stable and fluctuations in construction costs have been little, we have been inclined to neglect this phase of the matter. However, in recent years, prices have been readjusted on various occasions and it has been difficult to grasp the market conditions. For example, there are so-called transfer prices, negotiation prices, floating prices and so on and so forth. This has thus brought new problems to project budgeting work. We must examine and study these problems so as to suit the new set of conditions and must therefore be in close touch with intelligence organs conversant with market conditions.

3. We must consider the use of a dynamic type of analysis of estimating project costs. For a prolonged period of time, we have given little consideration to the influence of the factor of the time period of construction, and in project budgeting and discussions on investment results we have resorted only to static computation work. But not to consider the influence of the construction period and lapse of time before start of production, on project cost and investment results is, in reality, departing from reality. Assuming investment in the capital construction period employs an average of 6 percent compound interest payable yearly to represent the time value, then S equals $P(1 + i)$ to the n th power and assuming the

capital construction period at 4 years and the lapse of time before actual production at 3 more years, then S equals P (1 plus 6 percent to the 7th power, or, S equals P multiplied by 1.504, that is to say, the dynamic investment amount is equivalent to 1.5 times the static investment amount. According to static computation, funds invested will be recoverable so long as there are profits following commencement of production, but according to the dynamic method, if the profit rate during the production period is lower than 9 percent (1.5 multiplied by 6 percent), then, like snowballing, the indebtedness will accumulate and it will be difficult to repay it in full. Following the reform of the system of control over capital construction, the state's transfer of funds for capital construction has been changed to loans from banks at an annual interest rate of 3 percent. On this basis, if the project can start production 5 years after commencement of construction, then the dynamic investment is equivalent to 1.2 times the static investment and if the investment benefit (profit) rate is below 3.6 percent, then in all probability there will be no profit accrual. But whether or not a loan investment can be recovered on schedule is an important criterion determining the feasibility of a project and its actual economic value. Moreover, concerning such other factors as the rise in the prices of materials and equipment and in labor costs, a rational arrangement of the construction period, distribution of funds, and so on, the dynamic method of analysis should be employed to have the results duly reflected in project budgeting.

5. Must Speedily Train Up a Contingent of Specialized Personnel in Engineering Economics Who Are Well Versed in Business and Possess a Creative Spirit

Project budgeting is an important part of work pertaining to the speciality of engineering economy. Engineering economy in itself is a frontier science of a comprehensive nature, touching on a large variety of subjects. Training up one such specialist requires much more time than training up planning personnel. In foreign countries, stringent requirements are made of personnel in engineering economy. For example, in Britain, it generally takes up to 8 years to train up such specialized personnel (including 5 years of university education). Our country is now glaringly short of such kinds of personnel. They are either scarce or inadequately trained. A special course in this field can rarely be found in universities or specialized institutions of learning. (The Soviet Union has an academy of engineering economics.) For this reason, as a strategic measure, we should train up, in a planned manner, a contingent of specialized personnel in engineering economy who are well versed in technical matters, are ambitious and have a creative spirit. Accordingly, we recommend that the engineering and construction, financial and economic schools and institutions of learning in the country establish special courses on engineering economics and, with due consideration of the national condition of our country, formulate an educational system to speed up the training of personnel in this field, thus meeting our country's future economic construction requirements.

CONSTRUCTION

CAPITAL CONSTRUCTION IN NINGXIA IN 1982 REPORTED

Yinchuan NINGXIA RIBAO in Chinese 21 Feb 83 p 1

[Article by Cheng Shaozheng [453 4801 692]: "Actively Carry Out Reorganization Policy, Strive to Improve Economic Results; Ningxia's Capital Construction Front Made New Achievements Last Year."]

[Text] The capital construction front in Ningxia continues to carry out the policy of national economic restructuring, stressing managerial work which is centered on upgrading economic results, and has made good achievements. According to statistics, the volume of investment in capital construction which was completed in Ningxia in 1982 was about one-third greater than in the previous year, and there has been a clear improvement in the quality of construction and the labor productivity of construction firms.

Last year, under the unified leadership of the people's government of the autonomous region, concerned sections cooperated wholeheartedly and coordinated closely to accelerate the rate of construction which was large- and medium-scale or closely related to the people's livelihood. In textiles, light industry and the construction materials industries, the Second Yinchuan Woollen Textile Mill was built adding a productive capacity of 1,648 spindles for fine wools; the expansion of the Lingwu Knitting Mill and the Qingtongxia and Shizuishan Cement Plants was completed, increasing productive capacity by 1,000 spindles for coarse wool and 128,000 tons of cement, respectively. In commerce, the Yinchuan Muslim Cold Storage and the Yinchuan Muslim Food Products Factory were basically completed. Last year was a record year for volume of investment completed and for best results in municipal construction in Yinchuan City. The highways to Xiaogunzhongkou and Beita were started and completed this year. Great progress was made on rebuilding Jiefang Boulevard in the Old City and in expanding the water supply and drainage system. Last year, the area of housing completed for urban and industrial and mining districts regionwide reached 470,000 square meters, an increase of 27 percent over the previous year and nearly at the record level of 1980. About 10,000 homeless families and families with material difficulties were able to move into new housing.

Last year, there were also some problems to be considered on Ningxia's capital construction front. For example, investment in nonproductive construction made up 56 percent of the region's total investment, thus exceeding

productive investment, and the standards and building costs for housing and other nonproductive construction become ever higher. In view of this situation, relevant sections of our region are now, in the spirit of the 12th Party Congress, researching and adopting feasible measures for "first we need to eat, next we need to build" to concentrate the necessary funds and accelerate key construction.

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CONSTRUCTION

WATER-DIVERSION PROJECT DESCRIBED

Beijing JINGJI RIBAO in Chinese 15 Mar 83 p 3

[Article by Special Correspondent Ren Runyu [0117 3387 0151] and Reporter Zhang Xuejian [728 1331 0311]: "Do Things in Stages, Act Within Capabilities, Proceed Step by Step, Be Smooth Throughout; State Council Approves Building First Stage of Eastern Route in Diverting Water from South to North"]

[Text] China's large-scale project to divert water across river valleys--the first part of the eastern route of the diversion north of southern water--will begin construction this year after the flood season. Recently the State Council formally approved the "Report on Views of Investigation and Feasibility Study of First Stage of Eastern Route Project of the Diversion North of Water from the South" which was presented by the Ministry of Water Resources and Electric Power.

The Huang-Huai-Hai plain north of the Chang Jiang is an important production area for grain, cotton, oil and other cash crops and it is also a base for production of important heavy industries such as electric power, coal and petroleum. However, the water resources of this region are inadequate and this has already become a critical problem. Drawing water from the Chang River valley where water is abundant and diverting it to the north is really necessary. The proposal of the Ministry of Water Resources and Electric Power says that the eastern route of the project to divert southern water north will adopt methods of carrying out work in stages, doing what it is capable of, proceeding step by step and being smooth throughout. First the construction work south of the Huang He will be carried out as the first part of the project to improve the water supply of the water-short areas of Jiangsu, Anhui and Shandong. At the same time they will continue to extend it north toward the Huang He and ultimately be fully equipped to divert water to northern areas where the lack of water is severe.

The route and the scale of the first stage of the eastern route are: To draw water from the Chang Jiang and the Jiangdu Pumping Station in Jiangsu (at 500 cu m/sec), transport the water into the four southern lakes from Li Canal, Zhong Canal, Bulao He, and Hanzhuang Canal, then along the Liangji Canal to Dongping Hu (at 50 cu m/sec). The water-diversion route will be 646 km in length. According to preliminary estimates, after the first stage of the eastern route is completed there will be the following economic benefits:



Key:

- | | |
|-----------------------------------|---------------------------------|
| 1. Weishan | 20. Hefei |
| 2. Dongping Hu (lake) | 21. Chuxian |
| 3. Huang He (river) | 22. Ma'anshan |
| 4. Liangji Canal | 23. Nanjing |
| 5. Jining | 24. Jiangdu (pumping) Station |
| 6. Shandong | 25. Gaoyou Hu (lake) |
| 7. Nansi Hu (four southern lakes) | 26. Zhenjiang |
| 8. Second grade embankments | 27. Huai'an (pumping) Station |
| 9. Zhong (Central) Canal | 28. Li Canal |
| 10. Loma Hu (lake) | 29. Taishanzi (pumping) Station |
| 11. Xuzhou | 30. Jiangsu |
| 12. Huaibei | 31. Sanyang He (river) |
| 13. Suxian | 32. Yiling (pumping) Station |
| 14. Yellow Sea (Huang Hai) | 33. Chang Jiang (river) |
| 15. Guoyang | 34. Wuxi |
| 16. Huai He (river) | 35. Shanghai |
| 17. Bangbu | 36. Suzhou |
| 18. Hongze Hu (lake) | 37. Tai Hu (lake) |
| 19. Anhui | 38. Er He (river) |

--Approximately 2.1 billion cu m of water will be supplied for the counties and cities along the route and for the use of industries, mines and shipping;

--guarantee during moderate droughts the irrigation of 21 million mu of currently irrigated farmland south of the Huang He and an increase of 4 million mu of irrigated paddy;

--the Yangzhou to Jining section of the Beijing to Hangzhou Grand Canal will be open to navigation all year and will play a major role in alleviating the shortage of shipping along the water-diversion route.

According to the assessments made by specialists concerned, the annual benefit of the first part of the eastern route will be about 300 million yuan and the economic results will be great.

So that the diversion north of water from the south will further promote what is beneficial and get rid of what is harmful, our scientific research sections concerned conducted many years and great numbers of scientific studies with regard to the impact of the water diversion on the environment and felt that after the first stage of the eastern route diverts water, the beneficial impact on the environment will be important. However, there may be some influence which is not beneficial and must be treated seriously and positive preventive measures adopted.

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CSO: 4006/447

CONSTRUCTION

WORK ON DIVERTING LUAN HO TO TIANJIN ENTERS DECISIVE STAGE

Tianjin TIANJIN RIBAO in Chinese 13 Mar 83 p 1

[Article: "Project to Divert Luan to Tianjin Enters Decisive Stage; Command Post Party Committee Demands Participants Wholeheartedly Cooperate to Ensure Completion of Schedule."]

[Text] Beginning now, the project to divert the Luan He to Tianjin is entering a decisive stage for the entire route. All the people involved are enthusiastic and have high morale and are resolved to get the water through by "10 October," to ensure quality and safety, to ensure that there will be no cost overruns, and to ensure that the completed construction will pass inspection with flying colors. The Municipal Diverting the Luan to Tianjin Project Command Post CPC Committee convened the Third Plenary Session of the Expanded Committee from 3 to 9 November and issued general mobilization orders for personnel participating on all fronts to enter the decisive stage. Li Ruihuan [2621 3843 3883] and Wu Zhen [0702 2182] attended the meeting and made speeches.

To get the water through by "10 October" requires guarantees that all July work be completed. To this end, great efforts should be made in March to concentrate efforts to win the first campaign. By the end of April the tunnel should be through; by the end of May, the daohong [0227 5725: base constructed], electricity and telecommunications should be in place, the reservoir embankments completed, the initial group of large pumps installed, all preflood projects related to flood prevention completed, the quality of all goods, materials, equipment, and facilities ensured, everything going according to schedule, two-thirds of the installation completed and 80 percent of the overall project completed.

At present, there are three key points governing the project to get the water through: 1) in tunneling, stress getting through poor geological sections safely and keeping up with lining and making solid progress overall; 2) in installing equipment, stress guaranteeing high quality of manufacture and construction and guaranteeing on-time delivery of equipment and high-quality and successful installation; 3) in the construction of the entire route, stress the difficult points of concealed aquifers, Erwang Zhuang Reservoir and the Xi He crossing pipe, and concentrate efforts on making breakthroughs and ensuring getting through the high water safely. Quality and safety

become more clearly evident as the time becomes shorter, and should be given highest priority to put an end to all nasty accidents. Strive to complete the project with high standards and get the water through at a high level.

Since the project to divert the Luan He was started, with responsibility systems as the central focus, courageous reform, effective methods of establishing military-like discipline at all levels and guaranteeing engineering, have been implemented. At the decisive stage, maintaining political ideology in the lead should continue, building a spiritual culture should be stressed, and the Luan diversion project made a glorious political mission to be completed; all personnel engaged in the struggle should have an attitude of responsibility toward the party and the people, work together with one heart and guarantee the completion of the whole project on schedule to benefit the people of Tianjin.

All the participants in the Luan diversion project see very clearly that the CPC Central Committee and the State Council urgently hope for early benefits of the investment from completion of the Luan He diversion project and the people of Tianjin urgently look forward to drinking Luan He water at an early date. They keenly feel the great responsibility and urgency of this to get the water through by "10 October." They say, please don't worry, CPC Central Committee and State Council, please don't worry, Municipal CPC Committee and municipal government, please don't worry, people of Tianjin, we guarantee that on the eve of the nation's 34th anniversary the entire Luan He diversion project will be completed.

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CSO: 4006/447

DOMESTIC TRADE

BRIEFS

JILIN COMMODITIES--According to a responsible comrade of the Jilin Provincial department store, in the first half of 1983, the total sales of commodities in the province reached 772 million yuan and the varieties of products totaled 12,000. [Summary] [Changchun Jilin Provincial Service in Mandarin 1030 GMT 5 Jul 83 SK]

CSO: 4006/672

FOREIGN TRADE

SHANGHAI TO IMPORT MORE TECHNOLOGY, EQUIPMENT

OW161553 Beijing XINHUA in English 0805 GMT 16 Jul 83

[Text] Shanghai, 16 Jul (XINHUA)--Shanghai, China's leading manufacturing center, has signed 93 contracts by the end of June to import technology and equipment from overseas firms.

The projects covered in the contracts include electronics, food, textiles, light industry and the machinebuilding and building materials industries.

Last week, the Shanghai Investment and Trust Corporation published 80 economic and technical cooperation projects to be chosen by overseas investors. The projects will involve imports of technology and equipment for production of items including video recorders, stereo magnetic heads, 135 mm cameras, vacuum dusters, washing machines, refrigerators, steel and wood furniture, glassware and plastic cigarette lighters.

A spokesman for the corporation said the projects are among several hundred the city plans to carry out this year, the rest of which will be made known later. The imports are aimed at updating Shanghai's existing medium-sized and small enterprises, he said.

"Foreign and Hong Kong and Macao investors are welcome to offer their own projects for our choice, or explore the possibility of cooperation in other projects which will interest both sides," the spokesman said.

Negotiations with foreign firms are now under way for the establishment of some joint ventures, he added. Contracts are expected to be signed late this year on joint ventures producing cars, vacuum pumps, zinc alloy toys and off-shore oil drilling rigs.

The contracts are to be concluded by the Shanghai Investment and Trust Corporation (SITC), the import department of the Shanghai General Foreign Trade Corporation, the Shanghai branch of the China National Machinery and Equipment Import and Export Corporation and the Shanghai Jinshan Associated Trading Corporation.

CSO: 4020/99

FOREIGN TRADE

JINGJI RIBAO ARTICLE ON EXCHANGE RATE SYSTEM

HK151042 Beijing JINGJI RIBAO in Chinese 6 Jul 83 p 4

["International Economy Forum" article by Chen Biaoru [7115 1753 1172]: "It Is Necessary To Attach Importance to Exchange Rates and the Exchange Rate System"]

[Text] The problem of exchange rates and the exchange rate system is one of the main problems for the international monetary system. The determination and change of exchange rates and the adoption of a certain exchange rate system in one country will not only affect the prices and the setup of production in this country, but will also greatly affect its foreign trade and the circulation of capital. This is why it has always been a "problem attracting international attention." After the disruption of the monetary system resulting from the Bretton Woods Conference, the main capitalist countries then adopted the floating rate system. However, the results are not satisfactory after 10 years' practice. The exchange rates of some main currencies have often been changed and the international rate system is unstable. The worldwide imbalance of international revenues and expenditures has been aggravated rather than improved. In addition, the frequent changes of the exchange rates and the rapid circulation of short-term capital have aggravated the turbulence of international finance and thus have caused serious damages to a large number of developing countries. For this reason, the question of exchange rates has been taken more seriously at present in the struggle of the developing countries for establishing a new international monetary order.

Judging from the actual situation in our country, the objective development of our external economic contracts also requires that we attach more importance to the problem of exchange rates and the rate system. At present, our work in this field is still rather weak. However, if we attach importance to the role of exchange rates, which is an economic lever, carry out deepgoing theoretical research, and study the experiences of other countries, we will surely be able to make more important contributions to creating a new situation in our external economic contacts.

What merits attention is that recently, sharp differences have arisen among some countries on the question of exchange rates and the rate system. The proposal raised by French President Mitterrand on convening an international monetary conference and restoring the fixed exchange rate system is

particularly spectacular. Although this proposal has not yet been generally accepted by all countries, at the Williamsburg conference, seven Western countries unanimously agreed that common efforts would be made to strive for comparatively stable exchange rates. They also suggested to "give consideration to the role of a high-level international monetary conference." We must pay serious attention to these developments. Since the 1970's, the international monetary system has been developed into a system of multiple reserves. This is a kind of unstable and transitional system. In the arrangements of exchange rates, there have also been various forms. At present, the International Monetary Fund has divided the exchange rates of various countries into three categories: 1) pegged exchange rates, 2) limited flexibility, and 3) greater flexibility. This confused situation is especially unfavorable for the developing countries because the frequent changes of exchange rates have not only affected their foreign trade and their circulation of capital, but have also made their reserve and management of foreign currencies as well as the problem of foreign debts more complicated. Since there are various drawbacks in the current international monetary system, including the problem of exchange rates, many developing countries have strongly demanded that major reforms be carried out in this respect. Under such circumstances, to strengthen our study of the problem of exchange rates will not only be conducive to the development of China's external economic contacts, but will also help to strengthen its ability to deal with possible emergencies in the foreign exchange market.

CSO: 4006/672

FOREIGN TRADE

BRIEFS

JILIN EXPORT COMMODITIES--As of the end of June, Jilin Province has fulfilled 59.8 percent of the annual export commodities procurement plan and 65.4 percent of the annual export plan. Of the 45 major export commodities, 22 had had their annual plan fulfilled by over 50 percent. Six localities in the province had overfulfilled their first-half-year plans. Foreign trade departments at all levels earned some 8.55 million yuan by processing products with samples and materials provided by foreign firms. [Summary] [SK110434
Chunghun Jilin Provincial Service in Mandarin 1030 GMT 8 Jul 83]

CSO: 4006/672

GENERAL

CHENGDU MEETING DISCUSSES CITY'S TASKS

HK120307 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 12 Jul 83

[Text] The Chengdu City CPC Committee and People's Government held a meeting of county CPC committee secretaries and county heads from 8 to 10 July to bring into play the superior points of the urban and rural areas following the merger of Chengdu City and Wenjiang Prefecture, promote the development of industrial and agricultural production, and stimulate the building of the two civilizations.

Tan Qilong, Yang Rudai, Li Xiangshan, Xiong Yuzhong, Wu Xihai, (Zhang Wengong), (Gong Zulun), and (Wang Degong), leading comrades of the province and city, attended the meeting. Comrades Tan Qilong and Yang Rudai made important speeches on relevant work following the merger of city and prefecture. The participants held enthusiastic discussions and put forward many good views and suggestions.

The meeting unanimously held: Instituting the system of city administration of counties is a [word indistinct] policy decision of the CPC Central Committee and State Council, and is also an important reform. The meeting also studied the city's economic work for the second half of the year, holding: It is necessary to center work on improving economic results, fulfill and overfulfill this year's national economic plans, and ensure the fulfillment of one year's revenue quota. In industry, communications, and capital construction, it is necessary to seriously take stock of capital construction projects in strict accordance with the stipulations of the State Council and the Provincial Government, and control the scale of capital construction. It is necessary to increase output capacity for certain products in short supply that are urgently needed in society. In agriculture, it is necessary to stabilize and perfect the production responsibility systems, and further enliven the rural economy. It is necessary to bring into full play the role of commercial work in promoting and guiding production, guaranteeing supplies, and enlivening the economy. It is necessary to get a good grasp of stabilizing prices and supplying nonstaple foodstuffs for the urban areas. We must do a good job in substituting tax payment for profit delivery in state-owned enterprises.

At present it is necessary to strengthen financial supervision and strictly enforce financial and economic discipline. It is particularly necessary to

put a stop to the unhealthy practices of indiscriminate price hikes, exaction of charges, and payment of bonuses and subsidies.

The meeting held: The key to creating a new situation lies in good ideological style of the leadership groups at all levels.

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ZHEJIANG LEADER ON FUTURE PROSPECTS

HK090638 Hong Kong WEN WEI PO in Chinese 6 Jul 83 p 2

[Article by Zhejiang Vice Governor Xu Qichao [1776 6386 6389]: "Bring Into Play Zhejiang's Advantages, Strengthen External Economic and erade Cooperation"--originally published in ZHEJIANG DUIWAI JINGJI MAOYI [ZHEJIANG EXTERNAL ECONOMY AND TRADE]]

[Text] There are relatively great advantages in Zhejiang's natural conditions. It has an abundance of agricultural products, and a certain basis of industrial technology. At present, heavy industry is gradually developing in the province, with agriculture and light industry as the key. Regarding the whole nation, it is one of the comparatively economically developed provinces.

Zhejiang's agriculture is undergoing a comprehensive development of forestry, animal husbandry, fishery and sideline occupations, with grain production as the key link. Grain production is carried on with rice crops as the key. As the population is large and there is but meagre land (an average of 0.7 mu of farmland per capita), the per unit output of grain is comparatively high; and it is a self-sufficient province in grain. Average per capita output of grain is 850 jin, which is higher than the national average. There is a comparatively rich variety of special economic local products. Its output of tea tops the whole nation, silk cocoons and oranges rank second, hempcross rank third, and rapeseed fourth.

There are over 100 million mu of mountainous land in the province, and the potentials for forestry are comparatively great. Apart from the eastern and southern parts which are plains, it is basically a hilly land, and forestry can be developed in a big way. Its bamboo production holds an important place in the whole nation, and output amounts to 25 percent to the total national output.

Animal husbandry is considerably developed. Jinhua ham has all along won a very high reputation. Sheepskins from sheep raised in the Hangzhou-Jianxing-Huzhou area and known as "soft gems" are much prized. In recent years, there has been a rather fast development of angora rabbits, which now total 7 million; and rabbit fur resources can be provided for the home market.

There is an abundance of water resources. The output of aquatic products amounts to 17.5 million dan, ranking first within the nation. The largest fishing ground, Zhoushan is located here in the province. Coastal waters capable of aquatic breeding amount to 1.15 million mu, and an area of 2.7 million mu of inland rivers can be used for the same purpose.

Zhejiang takes light and textile industries as the key in its industry. Its silk industry has a long history and a rather good foundation. Its cotton textiles, fiber textiles, paper-making; tea-processing, and food industries are all well founded. Heavy industries such as metallurgy, machinery, power, chemical, and electronics have also been established.

Speed of Growth in Gross Industrial and Agricultural Output Value

Over the past 30-odd years, the gross industrial and agricultural output value of Zhejiang Province has grown by nearly 1,100 percent by 1982 from 3.1 billion yuan in 1949; of this, industrial output value accounted for 23.06 billion yuan, up by 3,200 percent as compared with 1949. Agricultural output value in 1982 accounted for 13.8 billion yuan, up by 470 percent from the time the PRC was founded. In particular, the development in the past 5 years has been comparatively fast. Gross agricultural output value of 1982 was up by 15.5 percent from 1981, and up by 72.8 percent from 1977, with an average increase of 11.5 percent per year within the 5 years, while in the 18 years before them, there had been an average increase of only 4.4 percent per year. Output of grain, tea, silk cocoons, oranges, hemp, and sugarcane has created record highs; now the total income in the rural areas of 20 counties, cities and districts has more than doubled as compared with 1979.

Production in the rural areas have greatly developed, and the commodity rate has grown from 34.3 percent in 1977 to 47.5 percent. This illustrates the fact that the rural areas have begun to adopt the road of all-round development of agriculture, forestry, animal husbandry, sideline occupations and fishery, and the comprehensive management of agriculture, industry and commerce from a self-sufficient or semi-self-sufficient economy.

Like the rest of the country, Zhejiang has begun to turn onto the track of centering its work around raising economic results from the purely onesided pursuit of output value, and the right track of depending on tapping potentials, reform and renovation. Over the past 5 years, the whole of industrial production has maintained a comparatively rapid growth rate under the premise of raising economic results. Industrial output value of the whole province in 1982 was up by 124 percent from 1977. It has risen to 10th from the original 15th place in the country. The quality of industrial products has also improved incessantly. Since 1979, 9 of its products have won the state gold prizes, 31 silver prizes, and 117 quality certificates from the ministries concerned.

Giving Priority to Developing Light and Textile Industries

In readjusting the national economy, priority has been given to developing light and textile industries, starting from the realities of the province.

Over the past 5 years, the output value of light industry has grown by 140 percent, at a growth rate double that of heavy industry. The proportion of the output value of light industry in the gross industrial output value is 69.9 percent in 1983. The development of light and textile industries has been realized by mainly depending on renovation of technology. Over the years, focal support has been given to the technological renovation of 600 backbone enterprises of light and textile industries.

In capital construction, 3,499 projects have been completed over the past 5 years. Among them are such large and medium projects as Zhenhai petroleum chemical works, Beilun port, Zhenghui power plant, Hunan Zhen hydraulic power station, and the No 1 generator set of Taizhou power station.

With the development of industrial and agricultural output, the market in both urban and rural areas has been growing more and more prosperous with each passing day. Commodity purchases and sales have grown by a large margin. In 1982, the volume of commodity purchase and social retail sale more than doubled, compared with 1977. There has been a comparatively great development in foreign trade. In 1982 the total sum of commodities purchased for export was 2.238 billion yuan, an increase of 130 percent over 1977. Varieties of export commodities expanded from about 700 to over 1,200. Since the opening of ports, various foreign trade companies have set up direct trading connections with 112 nations and territories.

The past 5 years have also witnessed a comparatively rapid development in the tourist industry. Eight tourist routes have been opened, and a number of hotels newly built or expanded for tourist use have been completed. The number of foreign tourists, overseas Chinese, compatriots of Hong Kong, Macao, and Taiwan was 173,000 in 1982, a jump of over 700 percent from the 20,000 in 1977.

Regarding the material and cultural life of the people, over the past 5 years, over 1.08 million urban residents have been assigned employment. Wages of some workers and staff have been readjusted three times. In 1982, average income per capita in the rural areas reached 293 yuan, up by 160 percent from 1977. Over these years, the real benefits gained by the people have been comparatively great. Comparing 1982 with 1977, the cost of living index of the workers and staff grew by 15.9 percent, while there was a 35 percent growth in wages. Deducting the price change factors, there was still an actual growth of 19 percent. Over the past 5 years, the number of residential houses built in the urban and rural areas was unprecedented in history. A total floorspace of over 13 million square meters was built for workers and staff in cities and towns, tantamount to 175 percent of the total in the previous 28 years.

In accordance with the strategic aim of quadrupling national gross industrial and agricultural output value, the tentative plan for the national economy and social development in our province is to strive for a realization of the strategic aim ahead of schedule. Strategically, we are to take two steps: the first 10 years will be devoted to continuing to do a good job in readjustment, carrying out all-round and systematic reforms, putting in good order

the proportional relations of various aspects, and creating conditions for the development of the next step, laying a good foundation and accumulating strength. The latter 10 years will be devoted to further stepping up the speed of development, entering into a new invigorating stage. Agriculture will be a different case; it should grow by a large margin in the first 10 years.

The Sixth 5-Year Plan now being implemented is an important step in realizing the magnificent aim for the next 20 years. The requirements of the Sixth 5-Year Plan are: strive to achieve gross industrial and agricultural output value of 4 billion yuan by 1985, up by 39.4 percent as compared with 1980, an average increase of 6.8 percent per year; national revenue to be 21.8 billion yuan, up by 37.7 percent from 1980, an average increase of 6.6 percent per year; and the population of the province to be kept under about 40.66 million. There will be a comparatively great development in educational undertakings. And the average consumption found of residents in the urban and rural areas will increase at an annual rate of 6.3 percent.

Concrete Measures in Future Construction

Doubtless, it will be a very difficult task to realize the Sixth 5-Year Plan and the objective of struggle in the next 20 years. However, there are many advantageous conditions. Recently the State Council has decided to establish an economic zone in the Changjiang Delta with Shanghai as its center, so as to strengthen economic and technological coordination and cooperation between fraternal provinces and cities. This will surely play a positive role in the economic construction of our province. During the period of the next few 5-year plans, the state will construct a number of key projects in Zhejiang such as power plants, power stations, main railroad lines, navigation canals, ports and wharves. This will play an important part in improving transportation and relaxing the strain on energy resources in our province.

The concrete measures in these respects are:

1. Agriculture: We will bring into play the tradition of intensive cultivation and intensive management, and strive to raise the rate of land utilization and productivity; improve the conditions for production, transform 5 million mu of low yielding land within 3 years, reclaim new cultivable land by making use of barren hills, marshes, river banks and miscellaneous pieces of land, and strive to reclaim 1 million mu of new cultivable land by 1990; we will make full use of the advantages of the abundance of hill land, develop the mountain economy in a big way, and strive to plant trees on basically all waste hills within 2 or 3 years; we will step up the development and utilization of surface waters, make use of the 80 percent of shallow sea and marshes which have not been put to use, and strive to quadruple the output of freshwater aquatic products by the end of the 1980's, or a little longer; we will do a good job in cultivation, animal husbandry and breeding, and run well the commune and brigade enterprises, and various service trades. With a few years of effort, we will turn a considerable part of the localities into a prosperous and well-to-do socialist countryside with all-round development of agriculture, forestry, animal husbandry, sideline occupations and

fishery, and comprehensive operation of agriculture, industry and commerce.

2. We will grasp well key construction projects centering around energy and transportation. Zhejiang is rich in its hydroelectric resources. The development of energy resources should take hydroelectric power as the key; at the same time, we should actively develop thermal and nuclear electric power. During the period of the Sixth and Seventh 5-Year Plans, the key items for energy construction are power stations at Wenchang Shanxi, Lishui Shitang, Qingtian Tankeng, and Yunhe Jinshui Tan; thermal power plants at Zhenhai, Taizhou, Beilun Port; and a nuclear power station at Qinshan. Key items of transportation construction are double-track railroad projects from Shanghai to Hangzhou, and from Zhejiang to Jiangxi, and railroad projects from Beilun to Ningbo, and from Changxing to Nanjing; the linking-up of the Beijing-Hangzhou Canal with Qiantang River and the Hangzhou-Ningbo Canal; and also the construction projects of the ports of Ningbo, Wenzhou, and Haimen. Raw material industries will also be developed in an active way, and in particular the output of heavy chemical materials and metallike materials will be increased to meet the urgent need of the light and textile industries.

3. We will carry on readjustment and reorganization in a planned way, and establish an industrial economic structure characteristic of Zhejiang. This means bringing into play the advantages of the province, with its comparatively good foundation of light and textile industries, rich labor resources, comparatively high technological level, and a great number of skillful craftsmen in the rural areas, and laying stress on the production of consumer goods such as silk, textiles, food, and industrial arts and crafts, and other low energy-consuming trades of intensive manpower and technology and scientific research types. At the same time, it is necessary to fully bring into play the comprehensive advantages of the economic zone of the Changjiang Delta with Shanghai as its center, actively expand exports and foreign trade, and import the necessary new technology, so as to step up the technological renovation and reorganization of the existing enterprises.

4. We will attach great importance to investment in intelligence, step up the cultivation of talent, and promote the progress of science.

5. We will control the population. By the year 2000, the annual growth should be limited to only 300,000. The task is heavy, and there are many difficulties. But if we do our work meticulously, and conscientiously carry on education in state policy, they can still be solved. As the first step, it is required to control the natural growth rate at about 1.1 percent, dropping to 0.78 percent by 1985, and dropping further, under 0.7 percent, in the future.

To sum up, Zhejiang's economic prospects may be said to be broad, and the conditions for developing foreign trade are good. From now on, we will further bring into play the advantages of Zhejiang in these respects, strengthen connections with industrial and commercial circles and financial circles abroad, and unfold cooperation in economy and trade in various forms in a big way.

XIAMEN SEZ OFFERING PREFERENTIAL TREATMENT

HK150140 Hong Kong HONG KONG STANDARD in English 15 Jul 83 p 12

[Article by Daniel Chung]

[Text] The Xiamen Special Economic Zone (SEZ) in Fujian is offering better preferential treatment to investors than other such zones in China in order to offset its geographical disadvantages.

To promote investment there a 10-member Xiamen economic delegation, led by the Standing Committee chairman of the Xiamen Municipal People's Congress, Lu Zifen, is in Hong Kong for a two-week visit.

Infrastructural construction in the SEZ had made such headway in the past two years and the necessary investment environment was in place, the deputy chairman of the Administration Commission of the Xiamen SEZ, Jiang Ping, said yesterday.

Mr Jiang, who is also vice-chairman of the delegation, told a seminar that Xiamen offered excellent natural conditions as well as a sound economic and cultural foundation for investment.

But he admitted the zone had its advantage as it was further away from Hong Kong and Macao than the Shenzhen and Zhuhai SEZs. Xiamen is 287 nautical miles from Hong Kong.

Mr Jiang said the Xiamen SEZ had decided to offer better preferential treatment to make up for the handicap, which meant higher transportation costs for investors.

He explained that China's four existing SEZs generally had more or less the same preferential treatment for investors but the scope was somewhat different in detail.

The special preferential treatment offered by Xiamen includes cheaper land rents, lower wage standards for workers and more generous tax exemption and tax cut.

"To encourage early investors, we have decided that the land rent be set at less than five RMB per sq metre. As far as I know, this is lower than the charges set for other SEZs," Mr Jiang said.

"We also offer a longer land use period for investors which can be up to 50 years," he said.

He said the minimum monthly salary of a worker in the Xiamen SEZ was between HK\$400 and \$600 which is also lower than other SEZs. The average monthly salary of a worker in the Shenzhen SEZ is about \$800.

On tax exemption, he said a one-to-five-year tax holiday would be offered to enterprises which tallied with conditions set by the Administration Commission of the Xiamen SEZ.

"Besides, those who come to invest in these two years will enjoy tax exemption for five years."

Mr Jiang pointed out that Taiwanese who invested in the SEZ would be given additional preferential treatment.

To expedite development of the SEZ, Mr Jiang said his administration commission had signed an agreement with the Bank of China and six China-controlled banks in Hong Kong and Macao to set up the Xiamen Special Economic Zone United Development Corporation.

"With a registered capital of RMB250 million, the corporation will develop 2.5 sq km of land in Xiamen's Huli export processing district," he said.

Construction of the Huli processing district, which started in 1981, will be fully completed in 1988 when there will be enough land and infrastructural facilities for setting up 200 factories.

Mr Jiang said the corporation would be providing funds and necessary consultancy for joint ventures and wholly-owned projects in the SEZ.

A finance centre building will also be built in the SEZ to facilitate the area's development.

"Many overseas banks have already applied to set up offices in Xiamen. We'll approve them according to the development needs of the SEZ," he said.

Since 1981, the SEZ authorities have negotiated 374 projects with investors and signed agreements or memoranda on 23 projects with investment totaling US\$150 million.

Meanwhile, Mr Jiang also disclosed that plans were in hand to build Fujian's first oil refinery in Xiamen.

He said there was no petroleum industry in Fujian at present but the province which had good deep water harbours, had the potential to set up the industry.

"We have plans to build a refinery with a capacity of 2.5 million tons of crude oil. We have chosen two locations in Xiamen for the project."

"It is planned that this refinery will process crude oil imported from abroad. The products will be sold on international markets but they can also be used by industry in the Xiamen SEZ."

He said the Xiamen SEZ authorities were still negotiating the project with potential foreign investors.

The refinery project would be set up in the form of a wholly-owned venture or jointly with foreign investors.

Mr Jiang said construction of the Xiamen International Airport had largely been completed and it would be opened for regular flights later this year.

"Initially, flights will be confined to domestic routes, to be followed gradually by extension of services on international routes."

He said negotiations had been held on setting up flight links with Hong Kong and Manila and it would not take long to get it realized.

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